

HARRISON COUNTY LANDFILL COMMISSION

**Independent Auditors' Report
Basic Financial Statements
Required Supplementary Information
Schedule of Findings**

June 30, 2016 and 2015

HARRISON COUNTY LANDFILL COMMISSION

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HARRISON COUNTY LANDFILL COMMISSION

HARRISON COUNTY LANDFILL COMMISSION

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Sherman Struble	Executive Board - Chairman	City of Missouri Valley
Russell Kurth	Executive Board - Vice-Chairman	Rural County
Sara Clark	Executive Board -Treasurer-Secretary	City of Persia
Mike Anderson	Executive Board – At Large	City of Dunlap
Rick O'Neill	Executive Board - At Large	City of Logan
Carl Rorden	Executive Board - At Large	City of Magnolia
Cole Bell	Board Member	City of Mondamin
Amber Nelson	Board Member	City of Woodbine
Ronny Woodward	Board Member	City of Pisgah
Steven Howerton	Board Member	City of Modale
Janiece Wallis	Board Member	City of Little Sioux
Daniel Barry	Manager	

HARRISON COUNTY LANDFILL COMMISSION

INDEPENDENT AUDITORS' REPORT

To the Members of the Harrison
County Landfill Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Harrison County Landfill Commission as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harrison County Landfill Commission as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of the Commission Contributions information on pages 4 through 7 and pages 22 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, on our consideration of Harrison County Landfill Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harrison County Landfill Commission's internal control over financial reporting and compliance.


Certified Public Accountants

Onawa, Iowa
October 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Harrison County Landfill Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider this information in conjunction with the Harrison County Landfill Commission's financial statements which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased less than 1%, or \$9,460, from fiscal year 2015 to fiscal year 2016. City and County assessments remained the same. Tipping fees increased \$1,891.
- The Commission's operating expenses decreased 1% or \$11,650, from fiscal year 2015 to fiscal year 2016.
- The Commission's net position increased 19% or \$234,880, from fiscal year 2015 to fiscal year 2016.

USING THIS ANNUAL REPORT

The Harrison County Landfill Commission is a special purpose government accounted for as a single Business-Type Activity and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Harrison County Landfill Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Landfill's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Position

As noted earlier, Net Position may serve over time as a useful indicator of the Commission's financial position. The Commission's Net Position at the end of fiscal year 2016 totaled \$1,468,440. This compares to \$1,233,560 at the end of fiscal year 2015. A summary of the Commission's Net Position is presented below.

Net Position

	June 30, 2016	June 30, 2015
Current Assets	\$ 1,765,759	\$ 1,365,942
Restricted Investments	1,292,074	1,156,040
Capital Assets at Cost, Less Accumulated Depreciation	1,519,952	1,368,335
Construction in Progress	1,170,611	46,461
Total Assets	5,748,396	3,936,778
Deferred Outflows of Resources	48,174	27,537
Current Liabilities	328,811	68,360
Noncurrent Liabilities	3,966,965	2,619,264
Total Liabilities	4,295,776	2,687,624
Deferred Inflows of Resources	32,354	43,131
Net Position:		
Net Investment in Capital Assets	1,305,563	1,414,796
Restricted For:		
Tonnage Fees Retained	66,284	53,874
Unrestricted	96,593	(235,110)
Total Net Position	\$ 1,468,440	\$ 1,233,560

The unrestricted portion of the Commission's Net Position is a deficit balance at June 30, 2015. The amount invested in capital assets (e.g. land, buildings, and equipment), less the related debt portion of Net Position are resources allocated to capital assets. The remaining Net Position is restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues are received for tipping fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, interest expense and capital loan note issuance costs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015 is presented below.

Statements of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
County and City Assessments	\$ 373,276	\$ 373,275
Tipping Fees	652,570	650,679
Miscellaneous	4,412	15,764
Total Operating Revenues	<u>1,030,258</u>	<u>1,039,718</u>
OPERATING EXPENSES		
Payroll Expenses	252,819	241,473
Employee Benefits	69,569	54,917
Machinery Maintenance, Labor and Parts	19,209	25,006
Oil and Gas	38,713	44,317
Long Range Planning and Engineering Services	17,185	28,529
Site Maintenance	15,266	21,217
Site Utilities	7,129	10,322
Supplies	3,603	2,671
Office Expenses	2,442	4,597
Meetings, Travel, Training	286	903
Legal and Accounting	10,031	6,150
Insurance	20,871	23,313
Closure and Postclosure Care Costs	22,377	-
Recycling Expenses	6,216	4,996
Tonnage Fee	10,168	37,370
Iowa Department of Natural Resources Tonnage Fees	32,337	32,310
Depreciation	194,936	184,271
Water Test Samples	22,248	35,280
Tire & White Goods Disposal	20,565	22,899
Rent Expense	-	60
Advertising	4,090	1,929
Dues and Subscriptions	978	691
Miscellaneous	3,700	3,167
Total Operating Expenses	<u>774,738</u>	<u>786,388</u>
Operating Income	<u>255,520</u>	<u>253,330</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	22,135	14,922
Gain on Sale of Fixed Assets	-	251
Interest Expense	(5,808)	-
Capital Loan Note Issuance Costs	(36,967)	-
Total Non-Operating Revenues (Expenses)	<u>(20,640)</u>	<u>15,173</u>
Change in Net Position	234,880	268,503
Net Position at Beginning of Year, as Restated	<u>1,233,560</u>	<u>965,057</u>
Net Position at End of Year	<u>\$ 1,468,440</u>	<u>\$ 1,233,560</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in Net Position at the end of the fiscal year.

In fiscal year 2016, operating revenues decreased less than 1%, or \$9,460, from fiscal year 2015 to fiscal year 2016. Operating expenses decreased 1% or \$11,650, from fiscal year 2015. The decrease was because of a decrease in site maintenance, engineering services, tonnage fees, and water testing.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash provided by operating activities includes tipping fees and assessments reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal repayments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At June 30, 2016, the Commission had \$1,305,563 invested in capital assets, net of accumulated depreciation of \$1,112,918. Depreciation charges totaled \$194,936 for fiscal year 2016. More detailed information about the Commission's capital assets are presented in Note 5 to the financial statements.

ECONOMIC FACTORS

Harrison County Landfill Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state of Iowa continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Continued Iowa Department of Natural Resources' regulatory changes in permit compliance.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report, or need additional information, contact the Harrison County Landfill Commission, 2812 East Hwy 30, Logan, Iowa 51546.

BASIC FINANCIAL STATEMENTS

HARRISON COUNTY LANDFILL COMMISSION

HARRISON COUNTY LANDFILL COMMISSION

Statements of Net Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 1,136,270	\$ 750,254
Investments (Note 2)	553,766	501,358
Receivables:		
Accounts Receivable	45,225	76,601
Accrued Interest	5,396	4,196
Due from Other Governments	4,663	14,378
Prepaid Insurance	20,439	19,155
Total Current Assets	<u>1,765,759</u>	<u>1,365,942</u>
Noncurrent Assets		
Restricted Assets:		
Temporary Cash Investments (Note 2)	1,292,074	1,156,040
Capital Assets (Net of Accumulated Depreciation) (Note 5)	<u>2,690,563</u>	<u>1,414,796</u>
Total Noncurrent Assets	<u>3,982,637</u>	<u>2,570,836</u>
 Total Assets	 <u>5,748,396</u>	 <u>3,936,778</u>
 Deferred Outflows of Resources		
Pension Related Deferred Outflows (Note 6)	<u>48,174</u>	<u>27,537</u>
 LIABILITIES		
Current Liabilities		
Accounts Payable	209,600	37,787
Salaries and Benefits Payable	4,291	8,893
Compensated Absences	13,913	12,423
Accrued Interest	2,546	-
Due To Other Governments	8,461	9,257
Current Portion of General Obligation Capital Loan Note (Note 8)	<u>90,000</u>	<u>-</u>
Total Current Liabilities	<u>328,811</u>	<u>68,360</u>
Noncurrent Liabilities		
Compensated Absences	41,740	37,269
General Obligation Capital Loan Note Net of Current Portion (Note 8)	1,295,000	-
Net Pension Liability (Note 6)	138,949	113,096
Accrued Landfill Closure and Postclosure Costs (Note 3)	<u>2,491,276</u>	<u>2,468,899</u>
Total Noncurrent Liabilities	<u>3,966,965</u>	<u>2,619,264</u>
 Total Liabilities	 <u>4,295,776</u>	 <u>2,687,624</u>
 Deferred Inflows of Resources		
Unavailable Revenues:		
Pension Related Deferred Inflows (Note 6)	<u>32,354</u>	<u>43,131</u>
 NET POSITION		
Net Investment in Capital Assets	1,305,563	1,414,796
Restricted For:		
Tonnage Fees Retained	66,284	53,874
Unrestricted	<u>96,593</u>	<u>(235,110)</u>
 Total Net Position	 <u>\$ 1,468,440</u>	 <u>\$ 1,233,560</u>

See Accompanying Notes to Financial Statements

HARRISON COUNTY LANDFILL COMMISSION
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
County and City Assessments	\$ 373,276	\$ 373,275
Tipping Fees	652,570	650,679
Miscellaneous	4,412	15,764
Total Operating Revenues	<u>1,030,258</u>	<u>1,039,718</u>
OPERATING EXPENSES		
Payroll Expenses	252,819	241,473
Employee Benefits	69,569	54,917
Machinery Maintenance, Labor and Parts	19,209	25,006
Oil and Gas	38,713	44,317
Long Range Planning and Engineering Services	17,185	28,529
Site Maintenance	15,266	21,217
Site Utilities	7,129	10,322
Supplies	3,603	2,671
Office Expenses	2,442	4,597
Meetings, Travel, Training	286	903
Legal and Accounting	10,031	6,150
Insurance	20,871	23,313
Closure and Post-Closure Care Costs	22,377	-
Recycling Expenses	6,216	4,996
Tonnage Fee	10,168	37,370
Iowa Department of Natural Resources Tonnage Fees	32,337	32,310
Depreciation	194,936	184,271
Water Test Samples	22,248	35,280
Hazardous, Tire, Freon, E-Waste and White Goods Disposal	20,565	22,899
Rent Expense	-	60
Advertising	4,090	1,929
Dues and Subscriptions	978	691
Miscellaneous	3,700	3,167
Total Operating Expenses	<u>774,738</u>	<u>786,388</u>
Operating Income	255,520	253,330
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	22,135	14,922
Gain on Sale of Fixed Assets	-	251
Interest Expense	(5,808)	-
Capital Loan Note Issuance Costs	(36,967)	-
Total Non-Operating Revenues (Expenses)	<u>(20,640)</u>	<u>15,173</u>
Change in Net Position	<u>234,880</u>	<u>268,503</u>
Net Position at Beginning of Year	1,233,560	1,101,530
Prior Period Adjustment	<u>-</u>	<u>(136,473)</u>
Net Position Beginning of Year, as Restated	<u>1,233,560</u>	<u>965,057</u>
Net Position at End of Year	<u><u>\$ 1,468,440</u></u>	<u><u>\$ 1,233,560</u></u>

See Accompanying Notes to Financial Statements

HARRISON COUNTY LANDFILL COMMISSION
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash Received from Tipping Fees	\$ 683,946	\$ 620,044
Cash Received from Assessments	382,991	363,634
Cash Received from Miscellaneous Income	4,412	15,764
Cash Paid to Suppliers for Goods and Services	(65,304)	(284,199)
Cash Paid to Employees for Services	(326,590)	(297,387)
Net Cash Provided by Operating Activities	<u>679,455</u>	<u>417,856</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Loan Notes	1,445,000	-
Principal Payments on Capital Loan Notes	(60,000)	-
Interest Payments on Capital Loan Notes	(10,655)	-
Payments for Capital Loan Note Issuance Costs	(36,967)	-
Payments for Construction In Progress	(1,116,757)	(46,461)
Payments for Capital Assets	(346,553)	(49,607)
Proceeds from Sale of Capital Assets	-	251
Net Cash (Used) by Capital and Related Financing Activities	<u>(125,932)</u>	<u>(95,817)</u>
Cash Flows from Investing Activities:		
Interest Received	725	577
Purchase of Investments	(767,269)	(1,058,527)
Proceeds from the Sale of Investments	599,037	927,627
Net Cash (Used) by Investing Activities	<u>(167,507)</u>	<u>(130,323)</u>
Net Increase in Cash and Cash Equivalents	386,016	191,716
Cash and Cash Equivalents Beginning of Year	<u>750,254</u>	<u>558,538</u>
Cash and Cash Equivalents End of Year	<u><u>1,136,270</u></u>	<u><u>750,254</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	255,520	253,330
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	194,936	184,271
(Increase) Decrease in Assets:		
Accounts Receivable	31,376	(30,635)
Due from Other Governments	9,715	(9,641)
Prepaid Insurance	(1,284)	(923)
Deferred Outflows of Resources	(20,637)	(27,537)
Increase (Decrease) in Liabilities:		
Accounts Payable	171,813	21,772
Salaries and Benefits Payable	(4,602)	(709)
Compensated Absences	5,961	7,495
Closure and Postclosure Costs	22,377	-
Due to Other Governments	(796)	679
Net Pension Liability	25,853	(23,377)
Deferred Inflows of Resources	(10,777)	43,131
Net Cash Provided by Operating Activities	<u><u>\$ 679,455</u></u>	<u><u>\$ 417,856</u></u>

Supplemental Disclosures

Operating and Investing Activities:

Reinvestment of interest on investments for the years ended June 30, 2016 and 2015 was \$20,210 and \$12,652, respectively.

See Accompanying Notes to Financial Statements

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies

The Harrison County Landfill Commission is a public commission governed under the joint form of municipal government authorized by Chapter 28E of the Code of Iowa; a political subdivision of the State of Iowa. As such, the Commission is exempt from federal and state income taxes. The Commission is not required to adopt a legal budget. The purpose of the Commission is to operate the sanitary landfill for Harrison County, Iowa, and the municipalities therein.

The Commission is composed of one representative from each of the ten member cities and one representative from Harrison County. The member cities are: Missouri Valley, Logan, Dunlap, Magnolia, Woodbine, Modale, Little Sioux, Mondamin, Pisgah, and Persia.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board Criteria.

B. Basis of Presentation

The accounts of the Commission are organized as a special purpose government accounted for as a single business-type activity. Business-type activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Cash Equivalents and Investments – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2016 and 2015 included restricted certificates of deposit of \$1,292,074 and \$1,156,040, and unrestricted certificates of deposit of \$553,766 and \$501,358, respectively.

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies – (Continued)

Restricted Investments – Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of one year:

<u>Asset Class</u>	
Landfill	\$ 25,000
Buildings and Improvements	10,000
Equipment and Vehicles	1,000

Capital assets excluding the landfill of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50
Buildings Improvements	20-50
Equipment and Vehicles	5-20

The landfill is depreciated based on tonnage capacity calculated by the Commission's engineer.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest as of June 30, 2016 was \$7,393. There were no qualifying assets acquired during the year ended June 30, 2015.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Commission after the measurement date but before the end of the Commission's reporting period.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation, including applicable employee benefits, has been computed based on rates of pay in effect at June 30, 2016 and 2015.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies – (Continued)

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Accounts Receivable and Allowance – Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of the fiscal year. The allowance for doubtful accounts at June 30, 2016 and 2015 was \$0 and \$0, respectively.

Note 2 – Cash, Cash Equivalents and Investments

The Commission's deposits in banks (demand deposits and certificates) at June 30, 2016 and 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The Commission's investments consist only of certificates of deposits which are stated at cost.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the commission's deposits may not be returned to it. The commission has a deposit policy for custodial credit risk, to fully cover the deposits as of June 30, 2016. As of June 30, 2016, \$212,705 of the commission's bank balance of \$3,021,357 was exposed to custodial credit risk as uninsured and uncollateralized.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure. Information about the exposure of the Commission's debt type investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1 Year	1 – 5 Years
Certificates of Deposits	\$1,845,840	\$50,663	\$1,795,177

Note 3 – Closure and Postclosure Care Costs

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to affect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 3 – Closure and Postclosure Care Costs – (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Harrison County Landfill Commission have been estimated at \$1,453,769 for closure and \$1,037,507 for postclosure, for a total of \$2,491,276 as of June 30, 2016, and \$1,442,819 for closure and \$1,026,080 for postclosure, for a total of \$2,468,899 for June 30, 2015. These amounts are based on what it would cost to perform all closure and postclosure care during the years ended June 30, 2016 and 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 45 years. The percentage of landfill capacity used at June 30, 2016 was 76%.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and at June 30, 2016 and 2015, assets of \$1,292,074 and \$1,156,040, respectively are restricted for these purposes. They are reported as restricted investments on the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment,

CE = total required financial assurance,

CB = current balance of the fund,

Y = number of years remaining in the pay-in period.

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Note 4 – Local Government Guarantee

State and Federal laws and regulations require the Commission to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and postclosure costs to the Commission have been estimated at \$1,453,769 and \$1,037,507, respectively, as of March 11, 2016. The Commission has begun to accumulate resources to fund these closure costs and at June 30, 2016 and 2015, \$1,292,074 and \$1,156,040, respectively, are held for these purposes.

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 4 – Local Government Guarantee – (Continued)

The Commission participates in an agreement with the Harrison County Board of Supervisors. The County has provided a Local Government Guarantee for the closure and postclosure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The total financial assurance obligation at June 30, 2016 and 2015 equals \$2,491,276 and \$2,468,899, respectively. The County's portion of the total financial assurance obligation at June 30, 2016 and 2015 equals \$1,335,236 and \$1,339,107, respectively. The Commission is responsible for financing the remainder of the financial assurance obligation.

Note 5 – Capital Assets

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 46,461	\$1,124,150		\$ 1,170,611
Capital Assets Being Depreciated:				
Landfill	970,000			970,000
Buildings	155,731			155,731
Machinery and Equipment	1,177,486	346,553	\$ (16,900)	1,507,139
Total Capital Assets Being Depreciated	<u>2,303,217</u>	<u>346,553</u>	<u>(16,900)</u>	<u>2,632,870</u>
Less Accumulated Depreciation for:				
Landfill	456,485	114,780		571,265
Buildings	43,587	4,550		48,137
Machinery and Equipment	434,810	75,606	(16,900)	493,516
Total Accumulated Depreciation	<u>934,882</u>	<u>194,936</u>	<u>(16,900)</u>	<u>1,112,918</u>
Total Capital Assets Being Depreciated, Net	<u>1,368,335</u>	<u>151,617</u>	<u>-</u>	<u>1,519,952</u>
Total Capital Assets, Net	<u>\$ 1,414,796</u>	<u>\$1,275,767</u>	<u>\$ -</u>	<u>\$ 2,690,563</u>
	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Construction in Progress		\$ 46,461		\$ 46,461
Capital Assets Being Depreciated:				
Landfill	\$ 970,000			970,000
Buildings	140,303	15,428		155,731
Machinery and Equipment	1,152,938	34,179	\$ (9,631)	1,177,486
Total Capital Assets Being Depreciated	<u>2,263,241</u>	<u>49,607</u>	<u>(9,631)</u>	<u>2,303,217</u>
Less Accumulated Depreciation for:				
Landfill	349,305	107,180		456,485
Buildings	39,821	3,766		43,587
Machinery and Equipment	371,116	73,325	(9,631)	434,810
Total Accumulated Depreciation	<u>760,242</u>	<u>184,271</u>	<u>(9,631)</u>	<u>934,882</u>
Total Capital Assets Being Depreciated, Net	<u>1,502,999</u>	<u>(134,664)</u>	<u>-</u>	<u>1,368,335</u>
Total Capital Assets, Net	<u>\$ 1,502,999</u>	<u>\$ (88,203)</u>	<u>\$ -</u>	<u>\$ 1,414,796</u>

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 5 – Capital Assets – (Continued)

Reconciliation of Investment in Capital Assets:

	<u>2016</u>	<u>2015</u>
Capital Assets (Net of Accumulated Depreciation)	\$ 2,690,563	\$ 1,414,796
Less: General Obligation Capital Loan Notes	<u>(1,385,000)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 1,305,563</u>	<u>\$ 1,414,796</u>

Note 6 – Pension Plan

Plan Description. IPERS membership is mandatory for employees of the Commission, except those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of services.)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point.

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 6 – Pension Plan – (Continued)

IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Commission contributed 8.93 percent for a total rate of 14.88 percent.

The Commission's total contributions to IPERS for the year ended June 30, 2016 and 2015 were \$18,229 and \$17,206, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016 and 2015, the Commission reported a liability of \$138,949 and 113,096, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015 and 2014, the Commission's collective proportion was .0027950 and .0028517 percent, respectively, which was a decrease of .0000057 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 and 2015, the Commission recognized pension expense of \$11,718 and \$9,425. At June 30, 2016 the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,099	\$ -
Changes of assumptions	3,826	-
Net difference between projected and actual earnings on pension plan investments	20,790	32,354
Changes in proportion and differences between Commission contributions and proportionate share of contributions	3,230	-
Commission contributions subsequent to the measurement date	18,229	-
Total	\$ 48,174	\$ 32,354

At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,229	\$ -
Changes of assumptions	4,991	-
Net difference between projected and actual earnings on pension plan investments	-	43,131
Changes in proportion and differences between Commission contributions and proportionate share of contributions	4,111	-
Commission contributions subsequent to the measurement date	17,206	-
Total	\$ 27,537	\$ 43,131

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 6 – Pension Plan – (Continued)

\$18,229 and \$17,206 are reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016 and 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (2,883)
2018	(2,883)
2019	(2,883)
2020	6,166
2021	74
	<u>\$ (2,409)</u>

There were no non-employer contributing entities in IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of Salary Increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term Investment Rate of Return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 and 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 6 – Pension Plan – (Continued)

Asset Class	2016		2015	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%	28%	2.06%
Domestic equity	24	6.29	23	6.31
International equity	16	6.75	15	6.76
Private equity/debt	11	11.32	13	11.34
Real estate	8	3.48	8	3.52
Credit Opportunities	5	3.63	5	3.67
U.S. TIPS	5	1.91	5	1.92
Other Real Assets	2	6.24	2	6.27
Cash	1	(0.71)	1	(0.69)
Total	100%		100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the contractually required rate and that contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
2016 Agency's proportionate share of the net Pension liability	\$ 243,275	\$ 138,949	\$ 50,891
2015 Agency's proportionate share of the net Pension liability	\$ 213,691	\$ 113,096	\$ 28,183

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2016 and 2015, the Commission reported payables to the defined benefit pension plan of \$0 and \$1,310, respectively for legally required employer and \$0 and \$873, respectively for legally required employee contributions which had been withheld from employee wages and remitted to IPERS.

Note 7 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 679 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members.

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 7 – Risk Management – (Continued)

The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its fund at the time of payment to the risk pool. The Commission's contribution to the Pool for the year ended June 30, 2016 and 2015 was \$14,099 and \$14,089, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public official's liability risk up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount.

The Pool's intergovernmental contract with its members provides that in the event of casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$15,000, respectively. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

HARRISON COUNTY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2016 and 2015

Note 8 – Long Term Debt

Changes in long-term debt at June 30, 2015 are summarized as follows:

	6/30/2015 Balance	Additions	Reductions	6/30/2016 Balance	Due Within 1 Year
General Obligation Capital Loan Notes	\$ -	\$ 1,445,000	\$ (60,000)	\$ 1,385,000	\$ 90,000
Compensated Absences	49,692	5,961	-	55,653	13,913
Net Pension Liability	113,096	25,853	-	138,949	-
Est. Liability for Landfill Closure & Postclosure Care	2,468,899	22,377	-	2,491,276	-
Total	<u>\$ 2,631,687</u>	<u>\$ 1,499,191</u>	<u>\$ (60,000)</u>	<u>\$ 4,070,878</u>	<u>\$ 103,913</u>

The following is a schedule of future payments to be made concerning long term debt at June 30, 2016.

Year Ended June 30,	Interest Rate	Principal	Interest	Total
2017	1.100%	\$ 90,000	\$ 30,555	\$ 120,555
2018	1.100%	90,000	29,565	119,565
2019	1.500%	90,000	28,575	118,575
2020	1.500%	90,000	27,225	117,225
2021	2.000%	95,000	25,875	120,875
2022 - 2026	2.000%	495,000	100,075	595,075
2027 - 2030	3.000%	435,000	33,150	468,150
Total		<u>\$1,385,000</u>	<u>\$ 275,020</u>	<u>\$1,660,020</u>

General Obligation Capital Loan Notes

The Commission entered into a note payable to Harrison County, who acted as the issuer, for the General Obligation Capital Loan Notes, Series 2016A in the aggregate principal amount of \$1,445,000, dated February 11, 2016. The purpose of Series 2016A is to pay for the costs of works and facilities useful for the collection and disposal of solid waste, including the construction and equipping of buildings to be used for a recycling materials handling center and solid waste delivery. Annual principal payments began June 2016. Interest payments are due semi-annually each June and December, beginning June 2016. Interest rates vary between 1.10% and 3.00% over the life of the note. The note will mature June 2030. The balance at June 30, 2016 was \$1,385,000.

Note 9 – Commitments

The Commission entered into an engineering and design service contract for the leachate project during the year ended June 30, 2016 with Barker Lemar in the amount of \$64,825. As of June 30, 2016, \$53,213 of work was completed, leaving \$11,612 as a remaining commitment at year end.

The Commission entered into a construction contract during the year ended June 30, 2016 with TIJ Construction LLC in the amount of \$885,668. As of June 30, 2016, \$729,475 of work was completed, leaving \$156,193 as a remaining commitment at year end.

REQUIRED SUPPLEMENTARY INFORMATION

HARRISON COUNTY LANDFILL COMMISSION

HARRISON COUNTY LANDFILL COMMISSION
Schedule of the Commission's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Two Fiscal Years*

Required Supplementary Information

	2016	2015
Commission's proportion of the net pension liability (asset)	0.002795%	0.002794%
Commission's proportionate share of the net pension liability	\$ 138,949	\$ 113,096
Commission's covered-employee payroll	\$ 204,131	\$ 192,679
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.07%	58.70%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30

See accompanying independent auditors' report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

HARRISON COUNTY LANDFILL COMMISSION
Schedule of Association Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 18,229	\$ 17,206	\$ 16,664	\$ 15,166
Contributions in relation to the statutorily required contribution	<u>(18,229)</u>	<u>(17,206)</u>	<u>(16,664)</u>	<u>(15,166)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 204,131	\$ 192,679	\$ 186,603	\$ 174,925
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditors' report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 13,491	\$ 11,809	\$ 10,371	\$ 9,514	\$ 8,805	\$ 8,118
<u>(13,491)</u>	<u>(11,809)</u>	<u>(10,371)</u>	<u>(9,514)</u>	<u>(8,805)</u>	<u>(8,118)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 167,175	\$ 169,914	\$ 155,955	\$ 149,827	\$ 145,537	\$ 141,182
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

HARRISON COUNTY LANDFILL COMMISSION
Notes to Other Information – Pension Liability
Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

HARRISON COUNTY LANDFILL COMMISSION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Harrison
County Landfill Commission

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Harrison County Landfill Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harrison County Landfill Commission's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harrison County Landfill Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harrison County Landfill Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Harrison County Landfill Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Harrison County Landfill Commission's internal control described in the accompanying Schedule of Findings as items 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harrison County Landfill Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Harrison County Landfill Commission's Response to Findings

Harrison County Landfill Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Harrison County Landfill Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Harrison County Landfill Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company PC.

Certified Public Accountants

Onawa, Iowa
October 10, 2016

SCHEDULE OF FINDINGS

HARRISON COUNTY LANDFILL COMMISSION

HARRISON COUNTY LANDFILL COMMISSION
Schedule of Findings
For the Year Ended June 30, 2016

Part I: Summary of the Independent Auditor's Results

- (A) An unmodified opinion was issued on the financial statements.
- (B) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES:

2016-001 Financial Accounting – Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. One person has control over each of the following areas for the Commission:

- (1) Accounting System – record keeping for revenues and expenses, and
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to master list, preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff or Board members.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the Manager or a Board member review receipts, posting, and payroll on a test basis.

Conclusion – Response accepted.

2016-002 Financial Reporting – During the audit, we identified material amounts of receivables, payables, accruals and capital assets not recorded in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

Recommendation – The Commission should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Commission's financial statements.

Response – The Commission has evaluated the cost versus benefit of preparing adjusting journal entries, and determined that it is in the best interest of the Commission to outsource this task to the independent auditors, and to carefully review the adjusting journal entries prior to approving them and accepting responsibility.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

HARRISON COUNTY LANDFILL COMMISSION
Schedule of Findings
For the Year Ended June 30, 2016

Part III: Other Findings Related to Statutory Reporting:

III-A-16 Official Depositories – A resolution naming official depositories has been adopted by the agency. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2016.

Recommendation – The Commission should update the maximum deposit amounts stated in the resolution.

Response – Due to the accumulation of funds associated with the construction project, the excess was temporary until construction invoices were paid and subsequent to year end maximum deposits had not been exceeded.

Conclusion – Response accepted.

III-B-16 Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-16 Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

III-D-16 Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.

III-E-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.

III-F-16 Solid Waste Fees Retainage – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

HARRISON COUNTY LANDFILL COMMISSION
Schedule of Findings
For the Year Ended June 30, 2016

Part III: Other Findings Related to Statutory Reporting: - (Continued)

III-G-16 Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 2,415,571
Less: Balance of funds held in the local dedicated fund at June 30, 2015	<u>(1,156,040)</u>
	1,259,531
Divided by the number of years remaining in the pay-in period	<u>÷ 46</u>
Required payment into the local dedicated fund for the year ended June 30, 2015	27,381
Balance of funds held in the local dedicated fund at June 30, 2015	<u>1,156,040</u>
Required balance of funds held in the local dedicated fund at June 30, 2015	<u>1,183,421</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2016	<u>\$ 1,292,074</u>

Harrison County, Iowa has guaranteed closure and postclosure costs up to \$1,299,459 as of March 11, 2016.

HARRISON COUNTY LANDFILL COMMISSION