

**Des Moines County Regional Solid Waste Commission**

**Independent Auditor's Report**  
**Management's Discussion and Analysis**  
**Financial Statements and Supplementary Information**  
**Independent Auditor's Report on Internal Control and Compliance**  
**Schedule of Findings**

**June 30, 2016**

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**Des Moines County Regional Solid Waste Commission  
Commission Members  
June 30, 2016**

<b><u>Member</u></b>	<b><u>Representing</u></b>
Jim Ferneau	Burlington
Don Fitting	Burlington
Annie Wilson	Burlington
Hans Trousil	West Burlington
Leroy Lippert	Danville
Paul Lorber	New London
Julie Tribbey	Mediapolis
Bob Beck	Des Moines County
Brent Schleisman	Mt. Pleasant
Larry Jennings	Winfield
No representative - planning member	Middletown
No representative - planning member	Salem
No representative - planning member	Mt. Union
No representative - planning member	Westwood
No representative - planning member	Morning Sun
No representative - planning member	Rome



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## **Independent Auditor's Report**

Commission Members  
Des Moines County Regional Solid Waste Commission  
Burlington, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the proprietary fund of Des Moines County Regional Solid Waste Commission (Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the Commission's 2015 financial statements and, in our report dated November 3, 2015, we expressed an unqualified opinion on those 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 accounting principles generally accepted in the United States of America; 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 an opinion on these financial statements based on our audit. We conducted our audit 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. 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 Commission as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 7, schedule of funding progress on page 27 and pension information on pages 28 - 30 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 auditing standards generally accepted in the United States of America, 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The supplemental schedule of revenue and expenses is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of the 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 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 Commission's internal control over financial reporting and compliance.

*CPA Associates PC*

November 9, 2016

## **Des Moines County Regional Solid Waste Commission Management's Discussion and Analysis**

Des Moines County Regional Solid Waste Commission (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 year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The Commission's operating revenues increased 8%, or \$263,851, from fiscal year 2015 to fiscal year 2016.
- Operating expenses decreased \$41,678 from fiscal year 2015 to fiscal year 2016. Increased depreciation was offset by a downward change in closure and postclosure care. Other major decreases include salaries and benefits, supplies, and contract services.
- The Commission's net position increased \$46,387 from fiscal 2015 to fiscal 2016.
- Capital expenditures in fiscal 2016 include partial payment for a new baler, modifications to the old HazChem building, security upgrade at the landfill, and purchase of a recycling drop-off container and a roll-off container.

### **USING THIS ANNUAL REPORT**

The Des Moines County Regional Solid Waste Commission is a 28E organization and single Enterprise Fund 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 is intended to serve as an introduction to 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 and deferred outflows of resources less the Commission's liabilities and deferred inflows of resources, with the difference 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, nonoperating revenues and expenses, and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

**Des Moines County Regional Solid Waste Commission  
Management's Discussion and Analysis**

- 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.
- The Notes to 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 and funding progress related to the Commission's Retiree Health Care Plan.

**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 totaled \$7,751,922 at June 30, 2016, a \$46,387 increase from 2015.

A summary of the Commission's net position at June 30, 2016 and 2015 is shown below:

	<b>2016</b>	<b>2015</b>
Assets:		
Current assets	\$ 3,371,897	\$ 3,370,755
Restricted cash, CDs and investments	1,952,259	1,895,343
Capital assets, less accumulated depreciation	<u>9,170,961</u>	<u>9,535,598</u>
Total assets	<u>14,495,117</u>	<u>14,801,696</u>
Deferred outflows of resources	<u>204,294</u>	<u>90,467</u>
Liabilities:		
Current liabilities	544,628	707,536
Noncurrent liabilities	<u>6,237,219</u>	<u>6,278,315</u>
Total liabilities	<u>6,781,847</u>	<u>6,985,851</u>
Deferred inflows of resources	<u>165,642</u>	<u>200,777</u>
Net Position:		
Invested in capital assets, net of related debt	4,260,892	4,270,529
Restricted	969,887	994,971
Unrestricted	<u>2,521,143</u>	<u>2,440,035</u>
Total net position	<u>\$ 7,751,922</u>	<u>\$ 7,705,535</u>

Net position invested in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets, represents resources allocated to capital assets. The Commission also has net position balances that are restricted for closure and postclosure care and for future bond principal and interest payments. 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. The remaining net position is the unrestricted net position that can be used to meet the Commission's obligations as they come due.

**Des Moines County Regional Solid Waste Commission  
Management's Discussion and Analysis**

*Summary of Operations and Changes in Net Position*

Operating revenues are received for gate fees from accepting solid waste, waste management fees from member governments, fees for acceptance of household hazardous waste, and from the sale of recyclable materials collected. Operating expenses are paid to operate the landfill, recycling and household hazardous waste programs. Nonoperating revenues and expenses are investment return and other miscellaneous income and interest expense. 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:

	<b>2016</b>	<b>2015</b>
Operating revenue:		
Gate receipts	\$ 2,696,490	\$ 2,404,021
Recycling	164,117	227,840
Waste management fees	806,765	782,360
Other	<u>84,599</u>	<u>73,899</u>
Total operating revenue	<u>3,751,971</u>	<u>3,488,120</u>
Operating expenses:		
Salaries and benefits	1,329,239	1,356,256
Repairs and maintenance	228,305	212,137
Insurance	84,251	87,248
Regulatory assistance and leachate control	312,353	309,965
Garbage and drop-off collection	28,652	29,436
Wood grinding and tire disposal	24,479	29,185
Utilities	46,850	48,809
Telephone	5,328	5,219
Supplies, furniture and equipment	153,706	183,094
Contract service	109,194	124,469
DNR tonnage fees	112,695	101,481
Travel and training	12,190	12,924
Recycling rebates	28,352	29,023
Depreciation	1,015,249	885,290
Landfill closure and postclosure care	82,000	202,251
Other	<u>39,191</u>	<u>36,925</u>
Total operating expenses	<u>3,612,034</u>	<u>3,653,712</u>
Operating income	139,937	(165,592)
Nonoperating revenues (expenses), net	<u>(93,550)</u>	<u>(26,555)</u>
Change in net position	<u>\$ 46,387</u>	<u>\$ (192,147)</u>

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

In fiscal year 2016, operating revenues increased by \$263,851, or 8%. Operating expenses decreased \$41,678, or 2%.

Nonoperating expenses (net) increased by \$66,995 in fiscal year 2016. The major differences in non operating expenses were reduction of gain on sale of equipment and miscellaneous income.

## **Des Moines County Regional Solid Waste Commission Management's Discussion and Analysis**

### *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 gate fees and assessments reduced by payments to employees and to suppliers. Cash provided by capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposit and interest income.

### **CAPITAL ASSETS**

At June 30, 2016, the Commission had \$9,170,961 invested in capital assets, net of accumulated depreciation of \$8,351,382. Depreciation charges totaled \$1,015,249 for fiscal year 2016. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

### **LONG-TERM LIABILITIES**

At June 30, 2016, the Commission had \$4,910,069 in debt outstanding, a decrease of \$355,000 from 2015. The debt consists of loans payable to Des Moines County and State Revolving Loan Funds Revenue Bonds from the Iowa Finance Authority. The Commission has also recorded a liability of \$982,372 for closure and postclosure care costs, an \$82,000 increase from 2015. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

### **ECONOMIC FACTORS**

- Leachate management system costs for operation and maintenance continue to exceed forecasts.
- Annual required deposits to closure and postclosure accounts are based on constantly changing estimates, the number of tons of solid waste received at the facility, and fluctuations in the fair value of long term investments.
- Landfill cell construction has been delayed due to improved compaction.

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our members' citizens and taxpayers, and the Commission's customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Des Moines County Regional Solid Waste Commission, 1818 West Burlington Avenue, Burlington, Iowa 52601.

**Des Moines County Regional Solid Waste Commission**  
**Statement of Net Position**  
**June 30, 2016**

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,460,403
Certificates of deposit	1,656,902
Accounts receivable	232,146
Prepaid expenses	11,771
Accrued interest income	5,421
Inventory, at cost	<u>5,254</u>
Total current assets	<u>3,371,897</u>
Noncurrent assets:	
Certificates of deposit, restricted for loan reserve fund	308,500
Cash, restricted for closure and postclosure	630,961
Investments, at fair value, restricted for closure and postclosure	1,012,798
Capital assets, net of accumulated depreciation	<u>9,170,961</u>
Total noncurrent assets	<u>11,123,220</u>
Total assets	<u>14,495,117</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>204,294</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	85,789
Accrued expenses	74,557
Accrued termination benefits	18,282
Loans payable	<u>366,000</u>
Total current liabilities	<u>544,628</u>
Noncurrent liabilities:	
Loans payable, net of current portion	4,544,069
Net OPEB liability	9,573
Net pension liability	644,744
Accrued termination benefits	56,461
Landfill closure and postclosure care	<u>982,372</u>
Total noncurrent liabilities	<u>6,237,219</u>
Total liabilities	<u>6,781,847</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>165,642</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	4,260,892
Restricted for:	
Closure and postclosure care, net of related long-term liability	661,387
Loan reserve fund	308,500
Unrestricted	<u>2,521,143</u>
Total net position	<u>\$ 7,751,922</u>

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2016 with Comparative Totals for 2015**

	<b>2016</b>	<b>2015 Comparative Totals</b>
<b>Operating revenues</b>		
Gate receipts	\$ 2,696,490	\$ 2,404,021
Drop-off reimbursement	25,049	25,978
Recycling	164,117	227,840
Hazardous waste fees and reimbursements	59,550	47,921
Waste management fees	<u>806,765</u>	<u>782,360</u>
Total operating revenues	<u>3,751,971</u>	<u>3,488,120</u>
<b>Operating expenses</b>		
Salaries	905,701	947,838
Payroll taxes	69,336	69,623
Employee benefits	354,202	338,795
Workers' compensation insurance	37,871	41,704
Safety	15,149	11,956
Inspection and regulatory assistance	38,080	46,537
Garbage and drop-off collection	28,652	29,436
Wood grinding and tire disposal	24,479	29,185
Leachate control and well sampling	274,273	263,428
Repairs and maintenance	228,305	212,137
Utilities	46,850	48,809
Telephone	5,328	5,219
Insurance	46,380	45,544
Supplies	149,307	174,767
Advertising and public education	22,958	23,824
Equipment and equipment rent	4,399	8,327
Contract service	109,194	124,469
DNR tonnage fees	112,695	101,481
Shipping	1,080	1,140
Travel and training	12,190	12,924
Sales tax	4	5
Recycling rebates	28,352	29,023
Depreciation	1,015,249	885,290
Landfill closure and postclosure care	62,781	55,841
Change in closure and postclosure care estimate	<u>19,219</u>	<u>146,410</u>
Total operating expenses	<u>3,612,034</u>	<u>3,653,712</u>
Operating income (loss)	<u>139,937</u>	<u>(165,592)</u>
<b>Nonoperating revenues (expenses)</b>		
Investment return	30,948	28,713
Investment return restricted for closure and postclosure care	7,379	9,486
Interest expense	(138,414)	(141,456)
'Recycled 2 You' net sales (costs)	295	20
Gain on sale of equipment	-	62,069
Grant income	5,000	-
Miscellaneous income (expense)	<u>1,242</u>	<u>14,613</u>
Net nonoperating revenues (expenses)	<u>(93,550)</u>	<u>(26,555)</u>
Change in net position	46,387	(192,147)
<b>Net position, beginning of year</b>	<u>7,705,535</u>	<u>7,897,682</u>
<b>Net position, end of year</b>	<u>\$ 7,751,922</u>	<u>\$ 7,705,535</u>

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

<b>Cash Flows from Operating Activities</b>	
Cash received from gate fees	\$ 2,692,903
Cash received from waste management fees	803,613
Cash received from other operating receipts	261,391
Cash payments to suppliers for goods and services	(1,179,078)
Cash payments to employees for services	<u>(1,414,474)</u>
Net cash provided by operating activities	<u>1,164,355</u>
 <b>Cash Flows from Noncapital Financing Activities</b>	
Other receipts	<u>6,537</u>
Net cash provided by noncapital financing activities	<u>6,537</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Principal payments on loans	(355,000)
Interest payments on loans	(139,173)
Purchase of capital assets	<u>(650,612)</u>
Net cash used by capital and related financing activities	<u>(1,144,785)</u>
 <b>Cash Flows from Investing Activities</b>	
Redemption of certificates of deposit and investments	962,362
Purchase of certificates of deposit and investments	(983,730)
Interest income	<u>29,389</u>
Net cash provided by investing activities	<u>8,021</u>
Net increase in cash and cash equivalents	34,128
Cash and cash equivalents, beginning of year	<u>2,057,236</u>
Cash and cash equivalents, end of year	<u>\$ 2,091,364</u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	<u>\$ 139,937</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,015,249
Changes in assets and liabilities:	
Accounts receivable	5,936
Prepaid expenses	(322)
Inventory	762
Accounts payable	(28,609)
Accrued expenses	(24,521)
Net OPEB liability	4,601
Net pension liability	118,284
Deferred outflows of resources	(113,828)
Deferred inflows of resources	(35,134)
Landfill closure and postclosure care accrual	<u>82,000</u>
Total adjustments	<u>1,024,418</u>
Net cash provided by operating activities	<u>\$ 1,164,355</u>

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies**

The Des Moines County Regional Solid Waste Commission (Commission) was formed in 1990 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Des Moines County and to provide member cities and counties with solid waste disposal and resource recovery projects.

The Commission is composed of thirteen member cities and Des Moines County. The member cities are Burlington, West Burlington, Middletown, Danville, New London, Mediapolis, Morning Sun, Salem, Mt. Pleasant, Mt. Union, Winfield, Westwood, and Rome. The Commission Board is comprised of representatives appointed by each political subdivision (Commission member) to be represented. Each member is entitled to one representative; except for Burlington, which is entitled to three representatives; and Middletown, Morning Sun, Salem, Mt. Union, Westwood, and Rome, which have elected to be planning members and have not appointed a representative.

The Commission's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

For financial reporting purposes, the Commission has included all funds, organizations, account groups, 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 GASB 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 Entity 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 Entity. The Commission has no component units which meet the GASB criteria.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Commission are prepared in accordance with accounting principles generally accepted in the United States of America. The Commission's reporting entity applies all relevant GASB pronouncements.

The accounts of the Commission are primarily organized as an enterprise fund. Enterprise funds 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 that 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies** (continued)

The financial statements are accounted for using the flow of 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.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

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

Cash and Cash Equivalents - 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, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2016 included certificates of deposit totaling \$1,965,402.

Accounts Receivable - Accounts receivable at June 30, 2016 consist of receivables for landfill fees, recycling fees and waste management fees.

Inventory - Inventory is accounted for at the lower of cost or market, using the first-in, first-out method.

Restricted Cash, Certificates of Deposit and Investments - Certificates of deposit set aside for the Commission's loan reserve fund obligation is classified as restricted. Investments set aside for payment of closure and postclosure care costs is classified as restricted. Cash in a money market fund has also been set aside for payment of closure and postclosure care costs and is 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.

Capital assets are defined by the Commission as assets with initial cost in excess of \$2,500 and an estimated useful life in excess of one year. Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Building	5-50 years
Equipment, furniture and fixtures	3-25 years
Landfill expansion/improvement	3-26 years

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies** (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

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/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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.

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 the fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not 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 consist of receivables not collected within sixty days after year end. 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.

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 is reported as an accrued expense and has been computed based on rates of pay in effect at June 30, 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2015

The financial information for the year ended June 30, 2015, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Subsequent Events

The Commission performed an evaluation of subsequent events through November 9, 2016, which is the date the financial statements were issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2016.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

**Note 2. Cash, Certificates of Deposit and Investments**

The Commission's deposits in banks at June 30, 2016 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 depositors 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, which include the following: 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.

At June 30, 2016, the Commission has invested in certificates of deposit as follows:

Danville Savings Bank	1.00 %	maturing 7/5/2016	\$ 164,542
Danville Savings Bank	1.50 %	maturing 10/9/2017	388,061
Danville Savings Bank	1.25 %	maturing 6/2/2017	352,188
Danville Savings Bank	1.25 %	maturing 10/25/2017	278,124
Danville Savings Bank	1.25 %	maturing 7/11/2016	232,289
Two Rivers Bank & Trust	1.12 %	maturing 5/13/2017	259,423
Two Rivers Bank & Trust	1.12 %	maturing 6/30/2017	154,806
Two Rivers Bank & Trust	0.60 %	maturing 8/29/2016	<u>135,969</u>
			<u>\$ 1,965,402</u>
Restricted certificates of deposit - Bond Reserve			\$ 308,500
Unrestricted certificates of deposit			<u>1,656,902</u>
			<u>\$ 1,965,402</u>

The Commission also restricted a money market account totaling \$630,961 for closure and postclosure financial assurance, as well as investments in U.S. Treasury and Financing Corporation (FICO) Zero Coupon stripped interest payments (STRIPs) which are reported at fair value as shown in the following table. The FICO STRIPs are not rated; however are issued by Financing Corporation, which is an Agency of the U.S. government.

The Commission uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The recurring fair value measurements for the stripped interest payments were determined using trades, bid price, quotes or other observable data, which are Level 2 inputs. The Commission had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

	Level 1	Level 2
U.S. Treasury Bond stripped interest payment, maturing August 15, 2016	\$ 866,648	\$ -
Financing Corporation Zero Coupon stripped interest payments, maturing December 6, 2018 to September 26, 2019	<u>-</u>	<u>146,150</u>
Total investments at fair value	<u>\$ 866,648</u>	<u>\$ 146,150</u>

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

**Note 3. Accounts Receivable**

As of June 30, 2016, accounts receivable consist of the following:

Landfill tipping fees	\$	149,353
Waste management fees		70,469
Recycling		<u>12,324</u>
		<u>\$ 232,146</u>

**Note 4. Capital Assets**

A summary of capital assets at June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 208,413	\$ -	\$ -	\$ 208,413
Construction in progress	<u>147,208</u>	<u>67,039</u>	<u>(123,619)</u>	<u>90,628</u>
Total capital assets not being depreciated	<u>355,621</u>	<u>67,039</u>	<u>(123,619)</u>	<u>299,041</u>
Capital assets, being depreciated:				
Building	3,026,340	21,719	(3,908)	3,044,151
Equipment, furniture and fixtures	3,626,599	575,253	(16,130)	4,185,722
Landfill expansion/improvement	<u>9,883,209</u>	<u>110,220</u>	<u>-</u>	<u>9,993,429</u>
Total capital assets being depreciated	<u>16,536,148</u>	<u>707,192</u>	<u>(20,038)</u>	<u>17,223,302</u>
Less accumulated depreciation for:				
Building	1,467,227	111,835	(3,908)	1,575,154
Equipment, furniture and fixtures	2,390,665	414,786	(16,130)	2,789,321
Landfill expansion/improvement	<u>3,498,279</u>	<u>488,628</u>	<u>-</u>	<u>3,986,907</u>
Total accumulated depreciation	<u>7,356,171</u>	<u>1,015,249</u>	<u>(20,038)</u>	<u>8,351,382</u>
Capital assets, net	<u>\$ 9,535,598</u>	<u>\$ (241,018)</u>	<u>\$ (123,619)</u>	<u>\$ 9,170,961</u>

Des Moines County donated property to the Commission during the fiscal year ended June 30, 1991. This property has been recorded at the value carried on the records of the County as follows:

Land	\$	166,550
Building		379,477
Equipment, furniture and fixtures		<u>9,376</u>
		<u>\$ 555,403</u>

**Note 5. Termination Benefits**

The Commission's sick leave policy allows qualifying employees to receive one half of their unused accumulated sick leave as compensation immediately upon elective retirement. Employees must have worked for the Commission for at least fifteen years and reached the age of fifty-five. As of June 30, 2016, four employees qualified for the benefit with a total liability of \$74,743. The Commission paid \$21,614 in termination benefits during the year ended June 30, 2016.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 6. Other Postemployment Benefits (OPEB)**

The Commission participates in a multi-government health insurance pool that provides medical, dental benefits, and prescription drug coverage to employees and retirees. The Commission's current funding policy is to pay health and dental costs as they occur or a pay-as-you-go basis. The Commission establishes and amends contribution requirements.

The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Commission, an amount actuarially determined in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Commission's annual OPEB cost for the year ended June 30, 2016 and the changes in the Commission's net OPEB obligation:

Annual required contribution	\$ 5,151
Interest on net OPEB obligation	339
Adjustment to annual required contribution	<u>(889)</u>
Annual OPEB cost	4,601
Contributions made	<u>-</u>
Increase in net OPEB obligation	4,601
Net OPEB obligation, beginning of year	<u>4,972</u>
Net OPEB obligation, end of year	<u><u>\$ 9,573</u></u>

The Commission's annual OPEB cost and the net OPEB obligations are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2016	\$ 4,601	\$ 9,573
6/30/2015	827	4,972
6/30/2014	850	4,145

As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability was \$43,439, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$43,439. The covered payroll (annual payroll of covered employees by the plan) was approximately \$889,000 and the ratio of UAAL to covered payroll was approximately 4.9%. As of June 30, 2016 there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 6. Other Postemployment Benefits (OPEB) (continued)**

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are used to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2015, the most recent actuarial valuation date, the normal actuarial cost method was used. The actuarial assumptions include a 3.75% discount rate based on the Commission's funding policy.

**Note 7. Pension and Retirement Benefits**

Pension Plan Description

Iowa Public Employees' Retirement System (IPERS) membership is mandatory for employees of the Association, 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 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](http://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 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 member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- 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.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 7. Pension and Retirement Benefits** (continued)

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 guard against 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 an amount 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

Effective July 1, 2012, as a result of a 2010 law change, the 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. 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 2015, pursuant to the required rate, members contributed 5.95% of pay and the Commission contributed 8.93% for a total rate of 14.88%.

The Commission's total contributions to IPERS for the year ended June 30, 2016 were \$80,335.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Commission reported a liability of \$644,744 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, the Commission's collective proportion was 0.012969%, which was a decrease of 0.000039% percent from its proportion measured as of June 30, 2014.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 7. Pension and Retirement Benefits** (continued)

For the year ended June 30, 2016, the Commission recognized pension expense of \$49,657. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,741	\$ -
Changes in assumptions	17,751	-
Net difference between projected and actual earnings on pension plan investments	96,467	150,126
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	-	15,516
Authority's contributions subsequent to the measurement date	<u>80,335</u>	<u>-</u>
	<u>\$ 204,294</u>	<u>\$ 165,642</u>

The \$80,335 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ (22,544)
2018	(22,544)
2019	(22,544)
2020	25,714
2021	<u>235</u>
	<u>\$ (41,683)</u>

There were no non-employer contributing entities at IPERS.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 7. Pension and Retirement Benefits** (continued)

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% per annum
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, 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 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 Tables Report 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100 %</u>	

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 7. Pension and Retirement Benefits** (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Commission will be made at the 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%, 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%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Proportionate share of the net pension liability	\$1,128,832	\$ 644,744	\$ 236,140

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](http://www.ipers.org).

**Note 8. Closure and Postclosure Care**

To comply with federal and state requirements, the Commission is required to complete a monitoring system plan and a closure and postclosure plan to provide funding necessary to effect closure and postclosure, 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 post-closure 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.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 8. Closure and Postclosure Care (continued)**

GASB 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 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 to inflation or deflation, technology, or applicable laws or regulations. Although closure and postclosure costs will be paid as the landfill closes individual cells and near or after the date that the landfill stops accepting waste, the Commission reports a portion of these closure and postclosure care costs as a liability based on landfill capacity used as of each Statement of Net Position date.

These costs for the Commission have been estimated at \$3,147,713 closure cost for the 39.76 acres currently open and \$1,467,818 postclosure care for the entire permitted area. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The portion of the liability that has been recognized is \$982,372, which represents the cumulative amount reported to date based on the use of 34% of the estimated permitted capacity of the landfill. The Commission will recognize the remaining estimated cost of closure and postclosure care for the entire permitted area of \$5,156,351 as the remaining estimated permitted capacity is filled. The estimated remaining life of the permitted capacity is 73 years as of June 30, 2016.

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, assets of \$1,643,759 are restricted for these purposes, of which \$1,125,751 is for closure and \$518,008 is for postclosure care. 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 uses a letter of credit and the local government financial test as its assurance instruments.

Chapter 567-113.14(6)(f) of the IAC allows a government to choose the local government financial test mechanism to demonstrate financial assurance for an amount equal to 43% of the local government's total annual revenue. An alternate financial instrument must be obtained for costs that exceed this limit. The Commission has chosen the dedicated fund mechanism, under Chapter 567-113.14(6)(i) of the IAC, as its secondary financial assurance mechanism and a letter of credit for costs exceeding the government financial test mechanism limit. The Commission demonstrates financial assurance through the application of tests required under the local government financial test mechanism and the use of funds held in a local dedicated fund 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 combined local governmental financial test and dedicated fund financial assurance mechanisms.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 9. Jointly-governed Organization**

The Commission is a participant in the Joint Safety Committee (JSC). The JSC is a cooperative effort by the Commission, the City of Burlington, Des Moines County, the Southeast Iowa Regional Airport Authority and Burlington Municipal Waterworks to monitor and improve on-the-job safety conditions and to assist in complying with Occupational Safety and Health Administration regulations. The Commission currently provides one member of the six member Committee. The Commission contributed \$5,218 in fiscal year 2016 to the JSC for operating expenses.

The Commission is a participant in the City/County Health Care Plan (COBCO). The COBCO is a cooperative effort by the Commission, the City of Burlington, Des Moines County, Burlington Municipal Waterworks, Des Moines County Communications Center, Southeast Iowa Regional Airport Authority, City of Danville, City of Mediapolis and Two Rivers Levee Drainage District to create and maintain a self-funded health benefits program through cooperative action with private agencies, as authorized by Chapter 28E of the Code of Iowa. The Commission represents Burlington Municipal Waterworks, Des Moines County Communications Center, Southeast Iowa Regional Airport Authority, City of Danville, City of Mediapolis and Two Rivers Levee Drainage District on COBCO's Board of Trustees. For the year ended June 30, 2016, the Commission contributed \$327,853 to cover the employee benefits offered by COBCO.

**Note 10. Loans Payable**

Change in loans payable for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Des Moines County Bonds	\$ 720,000	\$ -	\$ (355,000)	\$ 365,000	\$ 365,000
Iowa Finance Authority Bonds	<u>4,545,069</u>	<u>-</u>	<u>-</u>	<u>4,545,069</u>	<u>1,000</u>
	<u>\$ 5,265,069</u>	<u>\$ -</u>	<u>\$ (355,000)</u>	<u>\$ 4,910,069</u>	<u>\$ 366,000</u>

Des Moines County Bonds

Des Moines County (County) issued General Obligation Capital Loan Notes (Series 2007 Notes) dated October 1, 2007 in the amount of \$3,085,000 and loaned the proceeds to the Commission to finance expansion of the Commission's existing solid waste facilities. The Commission issued a Solid Waste Revenue Bond (2007 Bonds) to the County for the full amount of the Series 2007 Notes, which is payable in the amounts and at the same times and interest rates as those of the Series 2007 Notes. The 2007 Bonds and the interest are payable solely and only out of the net earnings of the Commission's Solid Waste System. All proceeds of the Bonds have been expended for expansion of the Commission's existing solid waste facilities as of June 30, 2016.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 10. Loans Payable** (continued)

Des Moines County Bonds (continued)

The County was able to effectuate debt service savings by the advance refunding of the Series 2007 Notes and agreed to pass along the debt service savings to the Commission as a result of the refunding. On November 15, 2011 the Commission approved the amended funding agreement and authorized and provided for the issuance of \$2,025,000 Solid Waste Revenue Bonds (Series 2011 Bonds). The Series 2011 Bonds mature with annual debt service payments ending June 1, 2017, bearing incrementally increasing interest rates ranging from 3.95% to 1.45%. The Commission is responsible for principal, interest and issuance costs related to the 2011 Series Note and 2011 Series Bonds. In accordance with the resolution, as of June 30, 2016, the Commission has restricted certificates of deposit totaling \$308,500 representing the reserve fund available to make payments on the 2011 Series Bonds in the event revenues are insufficient.

Iowa Finance Authority Bonds

The Commission issued State Revolving Loan Funds Revenue Bonds on July 7, 2010, dated July 1, 2010, in the amount of \$4,226,000 for various landfill projects necessary to meet current standards governing the design and operation of landfills. The Bonds mature June 1, 2033 with annual debt service payments beginning June 1, 2016. The Bonds bear interest at 3.00% which is payable on December 1 and June 1. As of June 30, 2016, the Commission's total related debt was \$4,226,000.

The Commission issued State Revolving Loan Funds Revenue Bonds on October 3, 2014, dated October 3, 2014, in the amount of \$1,807,000 for various landfill projects necessary to meet current standards governing the design and operation of landfills. The Bonds mature June 1, 2023 with annual debt service payments beginning June 1, 2017. The Bonds bear interest at 1.75% which is payable on December 1 and June 1. As of June 30, 2016, the Commission's total related debt was \$319,069.

The State Revolving Loan Funds Revenue Bonds require the Commission to produce and maintain Net Revenues at a level not less than 110% of the amount of principal and interest on the Revenue Bonds and any other obligations secured by a pledge of the Net Revenues falling due in the same year.

Secured Letter of Credit

The Commission has a secured letter of credit from Danville State Savings Bank dated March 19, 2016 for \$1,509,884 as part of their Financial Assurance Instrument to secure closure and postclosure care costs. The letter of credit is secured by substantially all Commission assets and expires March 19, 2017 with an automatic annual extension. No amounts have been drawn on the letter of credit during the year ended June 30, 2016.

Details of the Commission's indebtedness are as follows:

	<u>Des Moines County Bond</u>		Interest
	<u>Principal</u>	<u>Interest</u>	<u>Rate</u>
Year ended June 30, 2017	\$ <u>365,000</u>	\$ <u>5,293</u>	1.45 %
	\$ <u>365,000</u>	\$ <u>5,293</u>	

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 10. Loans Payable (continued)**

\$4,226,000 State Revolving Loan Funds Revenue Bond

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2017	\$ 1,000	\$ 126,780
Year ended June 30, 2018	168,000	126,750
Year ended June 30, 2019	173,000	121,710
Year ended June 30, 2020	179,000	116,520
Year ended June 30, 2021	184,000	111,150
Years ended June 30, 2022-2026	1,005,000	469,650
Years ended June 30, 2027-2031	1,166,000	309,480
Years ended June 30, 2032-2036	<u>1,350,000</u>	<u>123,900</u>
	<u>\$ 4,226,000</u>	<u>\$ 1,505,940</u>

\$1,807,000 State Revolving Loan Funds Revenue Bond

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2017	\$ -	\$ 4,708
Year ended June 30, 2018	76,000	22,079
Year ended June 30, 2019	78,000	31,622
Year ended June 30, 2020	79,000	30,293
Year ended June 30, 2021	80,000	28,927
Year ended June 30, 2022-23	<u>6,069</u>	<u>53,690</u>
	<u>\$ 319,069</u>	<u>\$ 171,319</u>

**Note 11. Solid Waste Tonnage Fees Retained**

The Commission restricts and uses those portions of solid waste tonnage fees retained in accordance with Chapter 455B.310 of the Code of Iowa. As of June 30, 2016, there were no unspent solid waste tonnage fees retained by the Commission that were required to be restricted.

**Note 12. Unrestricted Net Position Designated by the Commission**

Remediation/Closure

As of June 30, 2016, the Commission had designated \$230,159 for landfill closure and postclosure care and corrective action, in addition to the financial assurance deposits required by State regulations.

Equipment Replacement

As of June 30, 2016, the Commission had designated \$147,959 for replacement of equipment used at the landfill.

Facility Improvements

As of June 30, 2016, the Commission had designated \$1,340,000 for construction related to future expansion of the landfill.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**

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**Note 13. Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by membership in government risk-sharing pools, as allowed by Chapter 670.7 of the Code of Iowa.

The Commission is a member of the Iowa Communities Assurance Pool and the Iowa Municipalities Workers' Compensation Association (Pools). The Pools are local government risk-sharing pools whose members include various governmental entities throughout the State of Iowa. The Pools provide coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, boiler/machinery and workers' compensation. There have been no reductions in insurance coverage from prior years during the year ended June 30, 2016.

Each member's annual casualty contributions to the Iowa Communities Assurance Pool (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 in capital. Cumulative Reserve Fund contributions are made during the first six years of membership and are maintained to equal 200 to 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. In the event that a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, payment of such claims shall be the obligation of the respective individual member. Settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Member premiums paid to the Iowa Municipalities Workers' Compensation Association (IMWCA) are based on the rates approved annually by the Iowa Insurance Commissioner and fund all administrative expenses, claims, claims expenses, and reinsurance expenses. The IMWCA Board of Trustees approves a rating plan each year that applies discounts or surcharges to each member's premium based on its past loss experience. These discounts or surcharges are in addition to each member's experience modification factor. The membership agreement includes the provision that each member will be responsible for its pro-rata share of any workers' compensation or related employer liability claims which exceed the IMWCA's resources available to pay such claims. Members have never been assessed by the IMWCA and the IMWCA fund balance is in excess of all expenses funded by premiums as well as reserves for future known and unknown claims.

**Note 14. Commitments and Contingencies**

The Commission has outstanding commitments for equipment purchase and installation of \$132,615 and for regulatory contracts at the sanitary landfill totaling \$54,172.

**Des Moines County Regional Solid Waste Commission  
Schedule of Funding Progress  
for the Retiree Health Care Plan  
Required Supplementary Information**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2015	\$ -	\$ 43,439	\$ 43,439	- %	\$ 889,293	4.90 %
7/1/2013	\$ -	\$ 7,678	\$ 7,678	- %	\$ 893,000	0.86 %
6/30/2010	\$ -	\$ 6,405	\$ 6,405	- %	\$ 784,000	0.82 %

See accompanying independent auditor's report.

**Des Moines County Regional Solid Waste Commission,  
Schedule of the Commission's Proportionate Share of the Net Pension Liability  
Iowa Public Employees Retirement System  
Last Fiscal Year\*  
(In Thousands)  
Required Supplementary Information**

	2016	2015
Commission's proportion of the net pension liability	0.012969%	0.013008%
Commission's proportionate share of the net pension liability	\$644,744	\$526,460
Commission's covered-employee payroll	\$894,057	\$868,638
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
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.

**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.

See accompanying independent auditor's report.

**Des Moines County Regional Solid Waste Commission,  
Schedule of the Commission's Contributions  
Iowa Public Employees Retirement System  
Last 10 Fiscal Years  
(In Thousands)  
Required Supplementary Information**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutorily required contribution	\$ 80,335	\$ 79,840	\$ 77,569	\$ 75,172	\$ 70,264	\$ 57,925	\$ 50,890	\$ 53,436	\$ 50,156	\$ 45,473
Contributions in relation to the statutorily required contribution	<u>(80,335)</u>	<u>(79,840)</u>	<u>(77,569)</u>	<u>(75,172)</u>	<u>(70,264)</u>	<u>(57,925)</u>	<u>(50,890)</u>	<u>(53,436)</u>	<u>(50,156)</u>	<u>(45,473)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Commission's covered-employee payroll	\$ 899,611	\$ 894,057	\$ 868,638	\$ 867,036	\$ 870,682	\$ 833,453	\$ 765,263	\$ 841,512	\$ 829,025	\$ 790,835
Contributions as a percentage of covered-employee payroll	8.93 %	8.93 %	8.93 %	8.67 %	8.07 %	6.95 %	6.65 %	6.35 %	6.05 %	5.75 %

See accompanying independent auditor's report.

**Des Moines County Regional Solid Waste Commission,  
Notes to Required Supplementary Information – Pension Liability  
Year Ended June 30, 2016**

Changes in benefit terms:

Legislation passed in 2010 modified benefit terms for current members. The definition of final average salary changed from the highest 3 to the highest 5 years of covered wages. The vesting requirement changed from 4 years of service to 7 years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislation enacted in 2008 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.

Changes in assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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 the 1-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

See accompanying independent auditor's report.

**Des Moines County Regional Solid Waste Commission**  
**Supplemental Schedule of Revenue and Expenses**  
**Other Information**  
**Year Ended June 30, 2016**

	<u>Landfill and Haz Chem</u>	<u>Recycling Processing</u>	<u>General and Administration</u>	<u>Total</u>
<b>Operating revenues</b>				
Gate receipts	\$ 2,696,490	\$ -	\$ -	\$ 2,696,490
Drop-off reimbursement	-	25,049	-	25,049
Recycling	-	164,117	-	164,117
Hazardous waste fees and reimbursements	59,550	-	-	59,550
Waste management fees	<u>209,759</u>	<u>597,006</u>	-	<u>806,765</u>
Total operating revenues	<u>2,965,799</u>	<u>786,172</u>	<u>-</u>	<u>3,751,971</u>
<b>Operating expenses</b>				
Salaries	374,305	309,886	221,510	905,701
Payroll taxes	50,392	2,138	16,806	69,336
Employee benefits	141,014	143,985	69,203	354,202
Workers' compensation insurance	17,724	19,617	530	37,871
Safety	7,007	7,845	297	15,149
Inspection and regulatory assistance	38,080	-	-	38,080
Garbage and drop-off collection	-	28,652	-	28,652
Wood grinding and tire disposal	24,479	-	-	24,479
Leachate control and well sampling	274,273	-	-	274,273
Repairs and maintenance	197,066	31,239	-	228,305
Utilities	31,014	15,836	-	46,850
Telephone	-	1,528	3,800	5,328
Insurance	-	-	46,380	46,380
Supplies	112,356	25,407	11,544	149,307
Advertising and public education	-	1,370	21,588	22,958
Equipment and equipment rent	4,393	6	-	4,399
Contract service	37,607	50,210	21,377	109,194
DNR tonnage fees	112,695	-	-	112,695
Shipping	-	1,080	-	1,080
Travel and training	6,512	-	5,678	12,190
Sales tax	4	-	-	4
Recycling rebates	-	28,352	-	28,352
Depreciation	900,207	106,654	8,388	1,015,249
Landfill closure and postclosure	62,781	-	-	62,781
Change in closure and postclosure care estimate	<u>19,219</u>	<u>-</u>	<u>-</u>	<u>19,219</u>
Total operating expenses	<u>2,411,128</u>	<u>773,805</u>	<u>427,101</u>	<u>3,612,034</u>
Operating income (deficit)	<u>\$ 554,671</u>	<u>\$ 12,367</u>	<u>\$ (427,101)</u>	139,937
<b>Nonoperating revenues (expenses)</b>				
Investment return				30,948
Investment return restricted for closure and postclosure care				7,379
Interest expense				(138,414)
'Recycled 2 You' net retail sales				295
Grant income				5,000
Miscellaneous income				<u>1,242</u>
Change in net position				<u>\$ 46,387</u>

See accompanying independent auditor's report.



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**Independent Auditor's 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***

Commission Members  
Des Moines County Regional Solid Waste Commission  
Burlington, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards of applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the proprietary fund of Des Moines County Regional Solid Waste Commission (Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 9, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting to determine the audit procedures 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 a deficiency in internal control we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, non-compliance 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 Commission's financial statements. 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.

## **Commission's Responses to Findings**

The Commission's response to the finding identified in our audit are described in the accompanying Schedule of Findings. The Commission's response was 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 result of that testing and not to provide an opinion on the effectiveness of the Commission'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 Commission'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 Des Moines County Regional Solid Waste 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.

*CPA Associates PC*

November 9, 2016

**Des Moines County Regional Solid Waste Commission**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

**Finding Related to the Financial Statements:**

**Significant Deficiency:**

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 of all general ledger functions; collecting, journalizing and posting of some receipts; bank reconciliations; and investment transactions.

Recommendation - We realize that with a limited number of employees, segregation of duties is difficult. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - Due to the limited number of office employees, segregation of duties is very difficult; however, it is our policy to have the manager review cash receipts, posting, and payroll on a test basis and bank reconciliations monthly. In addition, all cash disbursements require a second signature and are reviewed and approved by the Commission.

Conclusion - Response accepted.

**Other Findings Related to Statutory Reporting:**

- (1) Questionable Expenses - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (4) Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.
- (5) Solid Waste Fees Retained - No instances of noncompliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

**Des Moines County Regional Solid Waste Commission  
Schedule of Findings  
Year Ended June 30, 2016**

**Other Findings Related to Statutory Reporting** (continued):

- (6) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care 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:

<b>Local government dedicated fund:</b>	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 3,147,713	\$ 1,467,818
Less: amount Commission had restricted and reserved for closure and postclosure care at July 31, 2015 <b>(unaudited)</b>	(1,082,393)	(504,733)
Less: closure and postclosure care cost estimates being assured by a letter of credit = \$1,509,884	<u>(1,032,726)</u>	<u>(477,158)</u>
Closure and postclosure care cost estimates being assured by the local government financial test mechanism = \$1,518,521, which does not exceed the limit of \$1,518,522.	<u>\$ 1,032,594</u>	<u>\$ 485,927</u>

**Calculation of local government financial mechanism test limit:**

Annual revenue for year ended June 30, 2015	\$ 3,531,446
Annual revenue multiplied by 43%, the limit of closure and postclosure care costs that may be assured under the local government test mechanism	\$ 1,518,522