WRIGHT COUNTY AREA LANDFILL AUTHORITY

CLARION, IOWA

JUNE 30, 2016

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Officials

Name	Title	Representing
Jerry Cayler	Chairman	Galt
Mike Nail	Vice Chairman	Clarion
Jeanie Arends	Member	Alexander
Earl Kalkwarf	Member	Belmond
Loren Lienemann (Effective January 1, 2016)	Member	Dows
Dixie Revland	Member	Goodell
Berne Ketchum	Member	Rowan
Nelson Mathiesen	Member	Woolstock
Duane Sampson	Member	Goldfield
Karl Helgevold	Member	Wright County
Ray Kracht (July 1, 2015 to December 31, 2015)	Member	Dows
Jim Meade	Manager	

Independent Auditor's Report

Members
Wright County Area Landfill Authority
Clarion, Iowa

Report on the Financial Statement
We have audited the accompanying statement of cash receipts, disbursements and changes in cash balance of the Wright County Area Landfill Authority as of June 30, 2016, and the related notes to the financial statement for the year then ended.

Management's Responsibility for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1 and determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statement 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 Authority'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 statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Member of American Institute of CPAs - Iowa Society of CPAs
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Opinion
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Wright County Area Landfill Authority as of June 30, 2016, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting
As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information
The management's discussion and analysis, schedule of the proportionate share of the net pension liability and schedule of contributions on pages 4 through 6 and 16 through 18 has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2016 on our consideration of the Wright County Area Landfill Authority's internal control over financial reporting and 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 Wright County Area Landfill Authority's internal control over financial reporting and compliance.

Hogan - Hansen

HOGAN - HANSEN

Clear Lake, Iowa
August 25, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Wright County Area Landfill Authority (Authority) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Authority is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Authority's financial statement, which follows.

FINANCIAL HIGHLIGHTS

- The Authority's operating receipts increased 11.8%, or $96,152, from fiscal year 2015 to fiscal year 2016.
- The Authority's operating disbursements increased 18.4%, or $127,964, from fiscal year 2015 to fiscal year 2016.
- The Authority's cash balance decreased 7%, or $34,837, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The Wright County Area Landfill Authority has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing of recognizing revenue, expenses and the related assets and liabilities. Under the cash basis of accounting, revenue and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenue and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Wright County Area Landfill Authority's financial statement. The annual report consists of the financial statement and other information, as follows:

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

The statement of cash receipts, disbursements and changes in cash balance presents information on the Authority's operating receipts and disbursements, nonoperating receipts and disbursements and whether the Authority's cash basis financial position has improved or deteriorated as a result of the year's activities.

The notes to the financial statement provide additional information essential to a full understanding of the data provided in the financial statement.

The other information further explains and supports the Authority’s proportionate share of net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Authority and the disbursements paid by the Authority, both operating and nonoperating. The statement also presents a financial snapshot of the Authority's cash balance at year end. Over time, readers of the financial statement are able to determine the Authority's cash basis financial position by analyzing the increase and decrease in the Authority's cash balance.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Authority. Operating disbursements are disbursements paid to operate the transfer station. Nonoperating receipts and disbursements are for insurance proceeds, interest on investments, equipment purchases and capital projects.

A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2016 and 2015 is presented below.

	2016	2015
Operating Receipts		
Member assessments	$ 249,000	$ 249,000
Other transfer station receipts	655,217	555,803
Percentage share from former members	6,359	10,445
Finance charges and miscellaneous	2,651	1,827
Total Operating Receipts	**913,227**	**817,075**
Operating Disbursements		
Salaries	146,408	133,718
Payroll tax and employee benefits	61,305	46,158
Insurance	27,180	23,290
Legal and accounting	6,192	5,950
Administrative	4,795	3,885
Utilities	5,772	6,426
Engineering and consulting	20,531	5,880
Fuel	28,184	33,348
Well testing and maintenance	5,472	2,040
Landfill of North Iowa disposal fees	301,003	262,982
Curbside recycling	107,455	105,921
Other recycling	6,563	8,484
Miscellaneous	2,504	2,432
Repairs and improvements	98,676	53,562
Total Operating Disbursements	**822,040**	**694,076**
Operating Receipts Over Operating Disbursements	**91,187**	**122,999**
Nonoperating Receipts (Disbursements)		
Interest on investments	1,106	1,281
Insurance proceeds - July, 2012 fire	—	80,057
Bond proceeds	15,800	
Capital outlay - fire damage	—	(15,230)
- equipment	(142,930)	(45,000)
Net Nonoperating Receipts (Disbursements)	**(126,024)**	**21,108**
Change in Cash Balance	**(34,837)**	**144,107**
Cash Balance - Beginning of Year	490,618	346,511
Cash Balance - End of Year	**$ 455,781**	**$ 490,618**
Cash Basis Fund Balance		
Restricted for transfer station closing costs	$ 27,797	$ 24,860
Unrestricted	427,984	465,758
Total Cash Basis Fund Balance	**$ 455,781**	**$ 490,618**

In fiscal year 2016, operating receipts increased by $96,152, or 11.8%, from fiscal year 2015. The increase was primarily a result of an increase in the amount of waste received.

In fiscal year 2016, operating disbursements increased by $127,964, or 18.4%, from fiscal year 2015. The largest increases were in the repairs and improvements expense (84%) and landfill disposal fees (14%). These increases were primarily due to repair of a semi and trailer and more waste to dispose of at the North Iowa Landfill.

The largest portion of the Authority's cash balance (94%) is the unrestricted portion which can be used to meet the Authority's obligations as they come due. The remaining cash balance (6%) is the restricted portion to be used for the closure of the transfer station at some point in the future. The state law requiring that these funds be set aside in a closure account became effective June 1, 2004. The unrestricted cash balance decreased $37,774, or 8%, during the year. The decrease is due to capital outlay disbursements for equipment purchases of $142,930 during the year.

LONG-TERM DEBT

At June 30, 2016, the Authority had no long-term debt outstanding.

ECONOMIC FACTORS

The financial position of the Authority decreased during the 2016 fiscal year. The major factors contributing to this decrease were related to capital outlay for equipment purchases of $142,930.

The Authority anticipates that its financial position will be more stable in the coming year with only periodic increases from year to year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wright County Area Landfill Authority at P.O. Box 173, Clarion, Iowa 50525.

Financial Statement

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

As of June 30, 2016

Operating Receipts	
Member assessments	$ 249,000
Other transfer station receipts	655,217
Percentage share from former members	6,359
Finance charges and miscellaneous	2,651
Total Operating Receipts	**913,227**
Operating Disbursements	
Salaries	146,408
Payroll tax and employee benefits	61,305
Insurance	27,180
Legal and accounting	6,192
Administrative	4,795
Utilities	5,772
Engineering and consulting	20,531
Fuel	28,184
Well testing and maintenance	5,472
Landfill of North Iowa disposal fees	301,003
Curbside recycling	107,455
Other recycling	6,563
Miscellaneous	2,504
Repairs and improvements	98,676
Total Operating Disbursements	**822,040**
Operating Receipts Over Operating Disbursements	**91,187**
Nonoperating Receipts (Disbursements)	
Interest on investments	1,106
Bond proceeds	15,800
Capital outlay - equipment	(142,930)
Net Nonoperating Receipts (Disbursements)	**(126,024)**
Change in Cash Balance	**(34,837)**
Cash Balance - Beginning of Year	490,618
Cash Balance - End of Year	**$ 455,781**
Cash Basis Fund Balance	
Restricted for transfer station closing costs	$ 27,797
Unrestricted	427,984
Total Cash Basis Fund Balance	**$ 455,781**

See accompanying notes to the financial statement.

(1) Summary of Significant Accounting Policies and Other Matters

Nature of Business

The Wright County Area Landfill Authority is a separate legal entity incorporated under Chapter 28E of the Code of Iowa. Its purpose is to provide collection and disposal of solid waste generated within each member city, town or unincorporated portion of Wright County, Iowa, and to cooperate with public officials in preventing the contamination and pollution of the land, water and air resources of the area.

The governing body of the Authority consists of one representative from each member. The members of the Authority include Wright County and the cities of Alexander, Belmond, Clarion, Dows, Galt, Goldfield, Goodell, Rowan and Woolstock. Each member has one vote.

Reporting Entity

For financial reporting purposes, the Wright County Area Landfill Authority has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Authority 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 Authority are such that exclusion would cause the Authority's financial statement 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 Authority 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 Authority. The Wright County Area Landfill Authority has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Authority are organized as an enterprise fund. Enterprise funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

Basis of Accounting

The Wright County Area Landfill Authority maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Authority is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payable for closure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Authority in accordance with accounting principles generally accepted in the United States of America.

Cash Basis Fund Balance

Funds set aside for payment of transfer station closure care are classified as restricted.

(1) Summary of Significant Accounting Policies and Other Matters

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported receipts and disbursements.

Cash and Certificates of Deposit

The Authority's deposits in banks as of June 30, 2016 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds. The Authority has a written investment policy and 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 members of the Authority and the Treasurer of the State of Iowa; 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.

As of June 30, 2016, the Authority had no investments meeting the disclosure requirements of Governmental Accounting Board Statement No. 72.

(2) Pension and Retirement Benefits

Plan Description

IPERS membership is mandatory for employees of the Authority, except for those covered by another retirement system. Employees of the Authority 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*.

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 service.

- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

(2) Pension and Retirement Benefits

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% 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% 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. State statute limits the amount rates can increase or decrease each year to one 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 2016, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the Authority contributed 8.93% for a total rate of 14.88%.

The Authority's contributions to IPERS for the year ended June 30, 2016 were $13,074.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2016, the Authority's liability is $96,540 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 Authority's proportion of the net pension liability was based on the Authority's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2015, the Authority's proportion was 0.0019541% which was a decrease of 0.000079% from its proportion measured as of June 30, 2014.

(2) Pension and Retirement Benefits

For the year ended June 30, 2016, the Authority's pension expense, deferred outflows of resources and deferred inflows of resources totaled $8,859, $18,561 and $22,479, respectively.

There were no nonemployer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2014 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% per annum.
Salary increases (effective June 30, 2010)	4% to 17%, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation.
Wage growth (effective June 30, 1990)	4% per annum, based on 3% inflation assumption 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 Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	1	(0.71)
Total	**100%**	

(2) Pension and Retirement Benefits

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 Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	**Discount Rate (7.5%)**	**1% Increase (8.5%)**
Authority's proportionate share of the net pension liability	$ 169,025	$ 96,540	$ 35,358

IPERS' Fiduciary Net Position

Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at *www.ipers.org*.

(3) Other Post-Employment Benefits (OPEB)

Plan Description

The Authority operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees. There are three active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Authority. The Authority currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the Authority and plan members is $929 for single coverage. For the year ended June 30, 2016, the Authority contributed $34,563 and plan members eligible for benefits did not contribute to the plan. Retirees are required to pay 100% of their monthly premiums; however, there were no retirees in the plan during the year ended June 30, 2016.

(4) Estimated Closure and Postclosure Care Costs

To comply with federal and state regulations, the Authority is required to complete a monitoring system plan and a closure/postclosure plan and 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 30-year care requirements for all municipal solid waste landfills which 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. The EPA requirements provide when a landfill stops accepting waste, it must be covered with a minimum of 24 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 30 years.

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 year. 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 due to the potential for changes due to inflation or deflation, technology or applicable laws or regulations.

The Authority ceased operations at its landfill in Wright County on July 1, 1994. The landfill was covered with dirt in compliance with EPA requirements during the year ended June 30, 1995. The Authority must monitor the landfill for contamination for the next nine years. The Authority does not have an estimate of postclosure costs for the next nine years. Per the 28E agreement, Wright County and each participating city have agreed to share in the postclosure costs of the Wright County Landfill which are paid as incurred.

(5) Transfer Station Closure Care

To comply with state regulations, the Authority is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or wash water, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste and the removal and proper management of all wash water in the wash water management system.

To comply with state regulations, the Authority is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Authority as of June 30, 2016 were estimated to be $27,797. The balance has been restricted and is fully funded as of June 30, 2016.

(6) Risk Management

The Authority is a member of 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 whose 746 members include 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. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials 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 casualty 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 estimated for the fiscal year, plus all or any portion of any deficiency in 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Authority's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Authority's annual contributions to the Pool for the year ended June 30, 2016 were $23,124.

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 officials' liability risks 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 Authority'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 of risk-sharing protection provided by the Authority's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Authority's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

(6) Risk Management

The Authority does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2016, no liability has been recorded in the Authority's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool of 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Authority also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of $1,000,000. The Authority 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.

(7) Subsequent Event

Management has evaluated subsequent events through August 25, 2016, the date which the financial statement was available to be issued.

(8) Contingencies

The Authority's insurance company is continuing litigation and attempting to recover costs related to the July, 2012 fire damage.

(9) Compensated Absences

Authority employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Authority until used or paid. The Authority's approximate liability for earned vacation and sick leave as of June 30, 2016 was $29,822. This liability has been computed based on rates of pay in effect as of June 30, 2016.

Other Information

Schedule of Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System

Last Two Years*

	2016	2015
Authority's proportion of the net pension liability	0.0019541%	0.001992%
Authority's proportionate share of the net pension liability	$96,540	$80,635
Authority's covered-employee payroll	$133,718	$133,449
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.20%	60.42%
IPERS' 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.

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	$ 13,074	$ 11,941	$ 11,917	$ 10,515	$ 9,606	$ 7,579	$ 6,832	$ 6,344	$ 5,937	$ 5,478
Contributions in relation to the statutorily required contributions	(13,074)	(11,941)	(11,917)	(10,515)	(9,606)	(7,579)	(6,832)	(6,344)	(5,937)	(5,478)
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Authority's covered-employee payroll	$ 146,405	$ 133,718	$ 133,449	$ 121,280	$ 119,033	$ 109,050	$ 102,737	$ 99,906	$ 98,132	$ 95,270
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%

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% per year measured from the member's first unreduced retirement age to a 6% 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.

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% 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 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.

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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 a Financial Statement Performed in Accordance with Government Auditing Standards

Members
Wright County Area Landfill Authority
Clarion, Iowa

We have audited, in accordance with the 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 statement of the Wright County Area Landfill Authority as of and for the year ended June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated August 25, 2016. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statement, we considered the Wright County Area Landfill Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Wright County Area Landfill Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wright County Area Landfill Authority'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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified deficiencies in internal control that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 16-IC-1 and 16-IC-2 to be material weaknesses.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Wright County Area Landfill Authority's financial statement is 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Authority. 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.

Wright County Area Landfill Authority's Responses to Findings
The Wright County Area Landfill Authority's responses to findings identified in our audit are described in the accompanying schedule of findings. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hogan - Hansen

HOGAN - HANSEN

Clear Lake, Iowa
August 25, 2016

Part I: Findings Related to the Financial Statement

Instances of Noncompliance
There were no reported instances of noncompliance.

Internal Control Deficiencies

16-IC-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person was responsible for almost all accounting functions, including preparing and posting general journal entries. The potential effect of this material weakness is an error occurring or fraudulent activity being committed and not being detected by management. We realize that with a limited number of employees, segregation of duties is difficult. However, the Authority should review its control procedures to obtain the maximum internal control possible under the circumstances.

Current Year Finding - We reiterate our prior year finding.

Auditor's Recommendation - We reiterate our prior year recommendation.

Authority's Response - We are aware of the lack of segregation of duties. We are compensating for this by requiring two signatures on checks over $1,000 and by reviewing bank statement transactions and financial reports at Board meetings.

Auditor's Conclusion - Response accepted.

16-IC-2 Financial Statement Preparation

Prior Year Finding and Recommendation - The Authority does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in many entities of this size, the Authority has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply cash basis accounting principles in preparing the financial statement and the related disclosures. The potential effect of this material weakness is that there could be material errors in the financial statements which would not be discovered by management. We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Current Year Finding - We reiterate our prior year finding.

Auditor's Recommendation - We reiterate our prior year recommendation.

Authority's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft the financial statement and disclosures.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Year Ended June 30, 2016

Other Findings Related to Required Statutory Reporting

16-C-1 **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

16-C-2 **Travel Expense** - No disbursements of the Authority money for travel expenses of spouses of Authority officials or employees were noted.

16-C-3 **Authority Minutes** - No transactions were found that we believe should have been approved in the Authority minutes but were not.

16-C-4 **Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Authority's investment policy.

16-C-5 **Solid Waste Fees Retained** - The Authority does not operate a landfill.

16-C-6 **Financial Assurance** - The Authority does not operate a landfill. The Authority's landfill was closed prior to the financial assurance requirements. Postclosure costs related to the landfill are paid as incurred by the members of the Authority.

The Authority does operate a transfer station. As of June 30, 2016, the estimated closing costs for the transfer station were $27,797. The Authority has demonstrated financial assurance for the estimated closing costs by establishing a local government dedicated fund. The dedicated fund balance was $40,954 as of June 30, 2016.