

LANDFILL OF NORTH IOWA

CLEAR LAKE, IOWA

DECEMBER 31, 2015

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Officials

Name	Title	Representing
Byron Ruitter	Chairperson*	City of Forest City
David Abele	Vice Chairperson*	City of Klemme
Jay Urdahl	Member	Cerro Gordo County
Tony Nelson	Member	City of Clear Lake
Lon Allan	Member	City of Coulter
Mary Nagel	Member	City of Dougherty
Randy Lansing	Member	City of Garner
Raymond Silver	Member	City of Geneva
Jon Stevens	Member	City of Grafton
Russell Morgan	Member	City of Hampton
Robert Michaelis	Member	City of Hanlontown
Joe Hanna	Member	City of Hansell
Dan Martinson	Member	City of Joice
Robert Mogk	Member	City of Kensett
Kent Morton	Member	City of Latimer
Priscilla Ferden	Member	City of Manly
Michael Lunning	Member	City of Mason City
Scott Tornquist	Member	City of Mason City
Joey Dickman	Member	City of Meservey
George Andersen	Member	City of Nora Springs
Roger Rustad	Member	City of Northwood
Jeff Robak	Member	City of Plymouth
Jolene Nohrenberg	Member	City of Popejoy
Mark Brosz	Member	City of Rock Falls
Mike Flatness	Member	City of Rockwell
Paula Lubkeman	Member	City of Sheffield
Marge Swenson	Member	City of Swaledale
Brian Crowell	Member	City of Thornton
George Simpson	Member	City of Ventura
John Waddingham	Member*	Franklin County
William Rowland	Director	

* Executive Committee member

Independent Auditor's Report

Members
Landfill of North Iowa
Clear Lake, Iowa

Report on the Financial Statement

We have audited the accompanying statement of cash receipts, disbursements and changes in cash balance of the Landfill of North Iowa as of December 31, 2015, 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 Landfill'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 Landfill'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.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Landfill of North Iowa as of December 31, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Landfill of North Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions information on pages 4 through 6 and on pages 17 through 20, 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 March 17, 2016 on our consideration of the Landfill of North Iowa'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 Landfill of North Iowa's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
March 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Landfill of North Iowa (Landfill) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Landfill is for the year ended December 31, 2015. We encourage readers to consider this information in conjunction with the Landfill's financial statement, which follows.

FINANCIAL HIGHLIGHTS

- The Landfill's operating receipts decreased 1.1%, or \$34,600, from 2014 to 2015.
- The Landfill's operating disbursements increased 6.4%, or \$147,883, from 2014 to 2015.
- The Landfill's cash balance increased 8.4%, or \$731,356, from December 31, 2014 to December 31, 2015.

USING THIS ANNUAL REPORT

The Landfill of North Iowa 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 Landfill of North Iowa's financial statement. The annual report consists of the financial statement and other information, as follows:

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

The statement of cash receipts, disbursements and changes in cash balance presents information on the Landfill's operating receipts and disbursements, nonoperating receipts and disbursements and whether the Landfill'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.

Other information further explains and supports the Landfill's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE LANDFILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Landfill. Operating disbursements are disbursements paid to operate the Landfill. Nonoperating receipts and disbursements are for interest on investments and capital improvements.

A summary of cash receipts, disbursements and changes in cash balance for the years ended December 31, 2015 and 2014 is presented below.

	2015	2014
Operating Receipts		
Tipping fees and gate charges	\$ 2,958,460	\$ 2,967,497
Member assessments	92,606	92,606
Woodchip sales	22,650	30,625
RCC reimbursements	74,918	83,584
Miscellaneous.....	100	9,022
Total Operating Receipts	<u>3,148,734</u>	<u>3,183,334</u>
Operating Disbursements		
Salaries and benefits	1,049,280	1,024,557
Insurance	37,552	46,162
Supplies	70,171	54,265
Promotion.....	39,622	40,839
Professional fees.....	228,184	209,591
Fuel.....	89,506	128,637
Utilities.....	38,906	44,380
Building maintenance	55,293	45,874
Daily cover	26,010	25,960
Monitoring and analysis.....	38,294	35,959
Recycling.....	67,413	43,902
Leachate hauling and treatment	338,250	284,940
Hazardous waste disposal.....	67,185	57,605
Equipment repairs and maintenance	85,233	66,423
Department of Natural Resources tonnage fee.....	190,972	175,325
Miscellaneous.....	47,223	36,792
Total Operating Disbursements	<u>2,469,094</u>	<u>2,321,211</u>
Operating Receipts Over Operating Disbursements	<u>679,640</u>	<u>862,123</u>
Nonoperating Receipts (Disbursements)		
Interest on investments	39,155	31,977
Dividend income on investments	1,871	—
Land rent.....	3,060	3,060
Proceeds from sale of equipment	13,500	—
State grants.....	50,000	—
Contract reimbursements	7,530	—
Capital improvements- equipment.....	(63,400)	(314,570)
- buildings	—	(136,630)
- new cell.....	—	(698,375)
Net Nonoperating Receipts (Disbursements)	<u>51,716</u>	<u>(1,114,538)</u>
Change in Cash Balance	731,356	(252,415)
Cash Balance - Beginning of Year.....	<u>8,735,858</u>	<u>8,988,273</u>
Cash Balance - End of Year	<u>\$ 9,467,214</u>	<u>\$ 8,735,858</u>

In 2015, operating receipts decreased by \$34,600, or 1.1%, from 2014. The decrease was primarily a result of a reduction in the price of appliances, considerably less flood debris and less Iowa Department of Natural Resources RCC reimbursement. In 2015, operating disbursements increased by \$147,883, or 6.4%, from 2014 due in part to a 2.7% raise in employee wages, excessive leachate generation and an increase in tonnage fees remitted to the Iowa Department of Natural Resources.

The largest portion of the Landfill’s cash balance \$5,810,462, or 61.4%, is restricted for closure and postclosure care. State and federal laws and regulations require the Landfill to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of 30 years after closure. The remaining cash balance, \$3,656,752, or 38.6%, is the unrestricted portion that can be used to meet the Landfill’s obligations as they come due. Of the unrestricted funds, \$926,757 has been designated by the Board of Directors to be used for specific purposes and are maintained in the following accounts:

Capital Improvement	\$ 410,102
Equipment	<u>516,655</u>
	<u>\$ 926,757</u>

LONG-TERM DEBT

As of December 31, 2015, the Landfill had no long-term debt outstanding.

ECONOMIC FACTORS

The Landfill of North Iowa continues to maintain a strong cash position. The current condition of the economy continues to be a concern for Landfill officials. Some realities which may potentially become challenges for the Landfill to meet are:

- Facilities and related equipment require constant maintenance and replacement.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. The annual deposit for closure and postclosure care will greatly increase with the opening of a new cell.
- The Landfill’s need to expand its current facility will result in not only the cost of this expansion but also increased closure and postclosure cost considerations.
- The requirements of the federal and state regulations and the increasing cost of compliance.

CONTACTING THE LANDFILL’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Landfill’s finances and to show the Landfill’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Landfill of North Iowa at 15942 Killdeer Avenue, Clear Lake, Iowa 50428 or by calling (641) 357-5452.

Financial Statement

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

As of December 31, 2015

Operating Receipts

Tipping fees and gate charges	\$ 2,958,460
Member assessments	92,606
Woodchip sales	22,650
RCC reimbursements	74,918
Miscellaneous	100
Total Operating Receipts	<u>3,148,734</u>

Operating Disbursements

Salaries and benefits	1,049,280
Insurance	37,552
Supplies	70,171
Promotion	39,622
Professional fees	228,184
Fuel	89,506
Utilities	38,906
Building maintenance	55,293
Daily cover	26,010
Monitoring and analysis	38,294
Recycling	67,413
Leachate hauling and treatment	338,250
Hazardous waste disposal	67,185
Equipment repairs and maintenance	85,233
Department of Natural Resources tonnage fee	190,972
Miscellaneous	47,223
Total Operating Disbursements	<u>2,469,094</u>

Operating Receipts Over Operating Disbursements	<u>679,640</u>
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Nonoperating Receipts (Disbursements)

Interest on investments	39,155
Dividend income on investments	1,871
Land rent	3,060
Proceeds from sale of equipment	13,500
State grants	50,000
Contract reimbursements	7,530
Capital improvements- equipment	(63,400)
Net Nonoperating Receipts (Disbursements)	<u>51,716</u>

Change in Cash Balance	731,356
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Cash Balance - Beginning of Year	<u>8,735,858</u>
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Cash Balance - End of Year	<u>\$ 9,467,214</u>
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Cash Basis Fund Balance

Restricted for	
Closure	\$ 2,957,394
Postclosure care	<u>2,853,068</u>
Total Restricted Cash Basis Fund Balance	5,810,462
Unrestricted	<u>3,656,752</u>

Total Cash Basis Fund Balance	<u>\$ 9,467,214</u>
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See accompanying notes to the financial statement.

Notes to the Financial Statement

(1) Summary of Significant Accounting Policies and Other Matters

Nature of Business

The Landfill of North Iowa is a separate legal entity incorporated under Chapter 28E of the Code of Iowa. Its purpose is to provide for the economic disposal of all solid waste produced or generated within each member city, town and unincorporated portions of North Central Iowa.

The governing body of the Landfill consists of representatives from each member. The members of the Landfill include Cerro Gordo and Franklin County and the cities of Clear Lake, Coulter, Dougherty, Forest City, Geneva, Grafton, Garner, Hampton, Hanlontown, Hansel, Joice, Kensett, Klemme, Latimer, Manly, Mason City, Meservey, Nora Springs, Northwood, Plymouth, Popejoy, Rock Falls, Rockwell, Sheffield, Swaledale, Thornton and Ventura. The number of votes for each member is based upon the population of the member city, town or unincorporated area.

Reporting Entity

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

Basis of Presentation

The accounts of the Landfill 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.

Measurement Focus

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 Landfill of North Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Landfill 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 and postclosure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Landfill in accordance with accounting principles generally accepted in the United States of America.

Cash Basis Fund Balance

Funds set aside for payment of closure and postclosure care are classified as restricted and totaled \$5,810,462 as of December 31, 2015. See Note 4.

(1) Summary of Significant Accounting Policies and Other Matters

Classification Changes

Certain items in the 2014 financial statements have been reclassified to conform with the current year presentation. These reclassifications had no net effects on the financial statements.

Use of Estimates

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

(2) Cash and Certificates of Deposit

The Landfill's deposits in banks as of December 31, 2015 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds.

The Landfill 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 Landfill; 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.

(3) Pension and Retirement Benefits

Plan Description

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

(3) Pension and Retirement Benefits

- 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% 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

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 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 2015, pursuant to the required rate, regular members contributed 5.95% of pay and the Landfill contributed 8.93% for a total rate of 14.88%.

The Landfill's contributions to IPERS for the year ended June 30, 2015 were \$62,998.

Notes to the Financial Statement

(3) Pension and Retirement Benefits

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

As of June 30, 2015, the Landfill's liability for its proportionate share of the collective net pension liability totaled \$408,664. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Landfill's proportion of the collective net pension liability was based on the Landfill's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the Landfill's proportion was 0.010098% which was an increase of 0.000017% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Landfill's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$30,748, \$23,216 and \$216,066, respectively.

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%
Salary increases (effective June 30, 2010)	4% to 17%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non-US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Notes to the Financial Statement

(3) 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 Landfill will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Landfill's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Landfill'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%)
Landfill's proportionate share of the net pension liability	\$772,159	\$408,664	\$101,836

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.

(4) Closure and Postclosure Care

To comply with federal and state regulations, the Landfill 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 postclosure 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 in the current period. 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.

(4) Closure and Postclosure Care

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 current active landfill cell is being filled in phases in one area of the landfill site. The first two phases have been constructed and waste is being put into those areas simultaneously. Due to the nature of a landfill operation, waste is deposited into the cell using a 4 to 1 back slope method. Under this method, waste is deposited and spread across each of the constructed phases of the cell in a shape similar to a 45 degree angle. However, the closure and postclosure care cost estimates are based upon a vertical slope method which functions under the assumption that each phase of the cell is filled to capacity and then waste begins to be deposited into the next phase of the cell.

The Landfill and its consulting engineer have estimated that the three phases of the active landfill cell will have a capacity of 1,961,500 tons using the vertical slope method. Based upon the tonnage accepted into those cells as of December 31, 2015, the Landfill estimates that approximately 10.2% of the total capacity has been used. As of December 31, 2015, the Landfill has estimated that the remaining life of the two constructed phases of the active landfill cell is approximately seven years, with an additional ten years remaining pending the construction of the third phase.

Total costs for Phase I and II have been estimated to be \$2,957,393 for closure and \$1,904,621 for postclosure care for a total of \$4,862,014 as of December 31, 2015. Closure and postclosure care costs have not been estimated for Phase II, as this cell was not yet in use.

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 Landfill has begun to accumulate resources to fund these costs and, as of December 31, 2015, assets of \$5,810,462 were restricted for these purposes, of which \$2,957,394 is for closure and \$2,853,068 is for postclosure care. They are reported as restricted cash balance in the statement of cash receipts, disbursements and changes in cash balance.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), the Landfill is required to demonstrate financial assurance for any unfunded costs. The Landfill has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Landfill must certify the following to the Iowa Department of Natural Resources:

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

Notes to the Financial Statement

(4) Closure and Postclosure Care

- Annual deposits to the fund are determined by the following formula:

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

NP - Next payment

CE - Total required financial assurance

CB - Current balance of the fund

Y - Number of years remaining in the pay-in period

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

(5) Solid Waste Tonnage Fees Retained

The Landfill has established an account for restricting and using solid waste tonnage fees retained by the Landfill in accordance with Chapter 455B.310 of the Code of Iowa. As of December 31, 2015, the Landfill had no unspent tonnage fees.

(6) Risk Management

The Landfill of North Iowa 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 727 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 current 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.

(6) Risk Management

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 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 Landfill'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 Landfill's annual contributions to the Pool for the year ended December 31, 2015 were \$37,552.

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 Landfill'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 Landfill'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 Landfill'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.

The Landfill 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 December 31, 2015, no liability has been recorded in the Landfill's financial statements. As of December 31, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. 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 Landfill also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$20,000, respectively. The Landfill 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 years.

Notes to the Financial Statement

(7) Compensated Absences

Landfill employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Landfill until used or paid. The Landfill's approximate liability for earned vacation payments as of December 31, 2015 was \$13,544. This liability has been computed based on rates of pay in effect as of December 31, 2015.

(8) Major Customers

During the year ended December 31, 2015, the Landfill received approximately 42% of its gate receipts from the following major customers:

Customer A	\$ 628,540
Customer B	<u>609,703</u>
Total	<u>\$ 1,238,243</u>

(9) Designated Funds

The Landfill maintains designated funds in separate investment accounts which are identified for specific purposes, as follows:

Capital Improvement	\$ 410,102
Equipment	<u>516,655</u>
Total	<u>\$ 926,757</u>

(10) Subsequent Event

Management has evaluated subsequent events through March 17, 2016, the date which the financial statement was available to be issued.

Other Information

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

Last Fiscal Year*

	2015
Landfill's proportion of the net pension liability	0.010098%
Landfill's proportionate share of the net pension liability	\$408,664
Landfill's covered-employee payroll	\$678,000
Landfill's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.28%
Plan fiduciary net position as a percentage of the total pension liability	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 ten-year trend is compiled, the Landfill will present information for those years for which information is available.

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 62,998	\$ 60,572	\$ 58,652	\$ 51,521	\$ 43,437	\$ 37,864	\$ 34,696	\$ 31,792	\$ 28,205	\$ 25,303
Contributions in relation to the statutorily required contributions.....	<u>(62,998)</u>	<u>(60,572)</u>	<u>(58,652)</u>	<u>(51,521)</u>	<u>(43,437)</u>	<u>(37,864)</u>	<u>(34,696)</u>	<u>(31,792)</u>	<u>(28,205)</u>	<u>(25,303)</u>
Contribution Deficiency (Excess).....	<u>\$ —</u>									
Landfill's covered-employee payroll.....	\$ 705,000	\$ 678,000	\$ 676,000	\$ 638,000	\$ 625,000	\$ 569,000	\$ 546,000	\$ 525,000	\$ 491,000	\$ 440,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Notes to Other Information - Pension Liability

Year Ended June 30, 2015

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.

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

Changes of Assumptions

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

- Decreased the inflation assumption from 3.25% 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

Notes to Other Information - Pension Liability

Year Ended June 30, 2015

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

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

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

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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

Landfill of North Iowa

Clear Lake, 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 Landfill of North Iowa as of and for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated March 17, 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 Landfill of North Iowa'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 Landfill of North Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the Landfill of North Iowa'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 a deficiency in internal control that we consider to be a material weakness.

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 Landfill's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 15-IC-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Landfill of North Iowa'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*. However, we noted certain immaterial instances of noncompliance or other matters which are described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the Landfill's operations for the year ended December 31, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Landfill. 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.

Landfill of North Iowa's Responses to Findings

The Landfill of North Iowa's responses to findings identified in our audit are described in the accompanying schedule of findings. The Landfill'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 Landfill'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 Landfill's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HOGAN - HANSEN

Clear Lake, Iowa
March 17, 2016

Schedule of Findings

Year Ended December 31, 2015

Part I: Findings Related to the Financial Statement

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

15-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 Landfill should review its control procedures to obtain the maximum internal control possible under the circumstances.

Current Year Finding - We found that the same condition existed.

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

Landfill's Response - We are aware of the lack of segregation of duties. The Landfill recognizes that it would not be cost effective to hire additional personnel to maximize the segregation of accounting duties due to its size. We will continue to monitor and implement compensating controls.

Auditor's Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting

15-C-1 Questionable Disbursements

Prior Year Finding and Recommendation - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted. However, we noted the Landfill does not retain receipts for per diem meals paid to employees when traveling. The Landfill should retain receipts from employees for all per diem allowances when traveling to ensure propriety of expense.

Current Year Finding - We found that the same condition existed.

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

Landfill's Response - We will retain receipts from employees.

Auditor's Conclusion - Response accepted.

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

Schedule of Findings

Year Ended December 31, 2015

15-C-3 Deposits and Investments

Prior Year Finding and Recommendation - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Landfill's investment policy were noted except that the Landfill exceeded its approved depository limit at one bank. The Landfill should review depository limits regularly and approve changes as necessary to fulfill the financial needs of the Landfill.

Current Year Finding - We found that the Landfill bank balance exceeded the depository limit again as of December 31, 2015.

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

Landfill's Response - We will review and approve modifications to the Landfill's depository limits resolution to fulfill the financial needs of the Landfill.

Auditor's Conclusion - Response accepted.

15-C-4 **Landfill Minutes** - No transactions were found that we believe should have been approved in the minutes but were not.

15-C-5 Solid Waste Fees Retained

Finding - 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. However, we noted that the second quarter solid waste fees were not paid within 90 days following the quarter in which the fees were collected in accordance with Chapter 455B.310(7) of the Code of Iowa.

Auditor's Recommendation - The Landfill should establish procedures to ensure solid waste fees are remitted within 90 days following the quarter during which the fees were collected in accordance with Chapter 455B.310(7) of the Code of Iowa.

Landfill's Response - Due to an oversight by the Landfill, the second quarter report and payment were remitted to the Iowa Department of Natural Resources on October 29, 2015. No penalty was assessed. The Landfill will continue to utilize calendar reminders for reporting due dates.

Auditor's Conclusion - Response accepted.

15-C-6 **Financial Assurance** - For the year ended December 31, 2015, the Landfill has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided by Chapter 567-113.14(6) of the Iowa Administrative Code. The amount the Landfill has restricted for closure and postclosure care as of December 31, 2015 exceeds the estimated total costs and, accordingly, the costs are fully funded.

Total Estimated Costs for Closure and Postclosure Care..... **\$ 4,862,014**

**Amount the Landfill has Restricted and Reserved for
Closure and Postclosure Care as of December 31, 2015** **\$ 5,810,462**