



SAMPLE CASH LANDFILL COMMISSION

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2014

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



**Mary Mosiman, CPA
Auditor of State**





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client. This sample is prepared based on a Commission providing solid waste services on the basis of an agreement between several municipalities and a county government, as provided in Chapter 28E of the Code of Iowa.

Audits of solid waste commissions should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

This sample report has been prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.

The format displays the basic financial statement, other information and the Schedule of Findings which are necessary to meet the requirements of this Office. The detail presented in the financial statement is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Commission feel more detail is necessary to provide a fair presentation, this, of course, will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown, as well as the footnotes to be presented.

Commissions with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Commission's cognizant or oversight agency.

In accordance with OMB Circular A-133, the reporting package and the Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/facweb/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated e-mails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

In December 2008, the Securities and Exchange Commission adopted an amendment to its Rule 15c2-12 governing ongoing disclosure by municipalities to the bond markets. The amendment was effective July 1, 2009 and widened those issuers subject to the ongoing filing requirements and now virtually any municipality which issues more than one million dollars of securities per issue is subject to an ongoing filing responsibility. The amendment requires, in part, all continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (PDF) and, effective January 1, 2010, such filings must be in a word-searchable PDF (not scanned) format.

The findings on compliance, items (1) through (6), detail those items which are to be included regardless of whether there are instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Commission for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the Commission and a copy should be sent to this Office with the two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this Office.

In accordance with Chapter 11 of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the state.

MARY MOSIMAN, CPA
Auditor of State

Office of Auditor of State
Report Filing Requirements

Paper Copy Submission

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this Office upon release to the Commission within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, Iowa 50319-0001

One copy of the audit report should be filed with the Iowa Department of Natural Resources.

Electronic Submission

The Commission or CPA firm must also e-mail a PDF copy of the audit report to the Auditor of State's Office to:

SubmitReports@auditor.state.ia.us

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this Office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

Filing Fee Submission

The filing fee should be mailed separately to:

Office of Auditor of State
PO Box 333
Des Moines, Iowa 50302-0333

The designated budget strata and applicable filing fees are as follows:

<u>Budgeted Expenditures in Millions of Dollars</u>	<u>Filing Fee Amount</u>
Under 1	\$100.00
At least 1 but less than 3	\$175.00
At least 3 but less than 5	\$250.00
At least 5 but less than 10	\$425.00
At least 10 but less than 25	\$625.00
25 and over	\$850.00

Sample Cash Landfill

Outline of Major Changes

- A. Revised the Iowa Public Employees' Retirement System (IPERS) note disclosure (Note 3) for changes in the contribution rates effective July 1, 2013.
- B. Included a disclosure in the Notes to Financial Statements regarding a prospective accounting change for GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.

Additional Notes

- 1. If the Commission has deposits in credit unions at June 30, 2014, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the Commission or the Commission's agent in the Commission's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
- 2. If the Commission operates a transfer station, disclosure of the closure care costs should be included in the Notes to Financial Statement. In addition, the Schedule of Findings should include a finding indicating whether the Commission has demonstrated financial assurance for closure care costs of the transfer station. Following is an example footnote for transfer station closure care.

Transfer Station Closure Care

To comply with state regulations, the Commission 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 which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Commission 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.

The total closure care costs for the Commission as of June 30, 2014 have been estimated to be \$9,830. The balance has been restricted and is fully funded at June 30, 2014.

3. Following is an example footnote for an early retirement or other benefit plan or policy which meets the definition of a “termination benefit” as defined by GASB Statement No. 47.

Sample Note – Termination Benefits

In September 2012, the Commission approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the Commission and must have reached the age of fifty-five on or before June 30, 2013. The application for early retirement was subject to approval by the Commission.

Early retirement benefits equal 60% of the employee’s salary in effect during the employee’s last year of employment, with a maximum retirement benefit of \$30,000.

The policy requires early retirement benefits be paid in three equal installments beginning January 1, 2014. The second and third payments will be paid July 1, 2014 and July 1, 2015, respectively.

At June 30, 2014, the Commission has obligations to three participants with a total liability of \$51,284. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$25,642.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

Contact:

FOR RELEASE _____

Auditor of State Mary Mosiman today released an audit report on the Sample Cash Landfill Commission.

The Commission had total receipts of \$_____ for the year ended June 30, 2014, a(n) _____ % increase (decrease) from the prior year. The receipts included solid waste fees of \$_____, member assessments of \$_____ and recycling grants of \$_____.

Disbursements for the year ended June 30, 2014 totaled \$_____, a(n) _____ % increase (decrease) from the prior year, and included \$_____ for _____ a _____, \$_____ for _____ b _____, and \$_____ for _____ c _____. (a,b,c – functions with three highest disbursement totals)

The significant increase (decrease) in receipts and disbursements is due primarily to _____.

A copy of the audit report is available for review in the Sample Cash Landfill Commission's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

###

SAMPLE CASH LANDFILL COMMISSION

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2014

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-9
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	A 12
Notes to Financial Statement	13-18
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 <u>Government Auditing Standards</u>	21-22
Schedule of Findings	23-25
Staff	26

Sample Cash Landfill Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dwight Lewis	Chairperson	Anywhere County
Carroll Jensen	Vice Chairperson	City of One
Glen Schmitz	Member	City of Two
Leon Collins	Member	City of Three
Eileen Johnson	Member	City of Four
Melvin Green	Member	City of Five
Sarah Fiddelke	Member	City of Six
Jay Bird	Member	City of Seven
Tom Wright	Member	City of Eight
Leslie Carson	Director	

Sample Cash Landfill Commission



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Sample Cash Landfill Commission:

Report on the Financial Statement

We have audited the accompanying financial statement of the Sample Cash Landfill Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statement.

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. This includes 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe 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 Sample Cash Landfill Commission as of June 30, 2014, 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 U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 7 through 9, 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 September 24, 2014 on our consideration of the Sample Cash Landfill Commission'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 the Sample Cash Landfill Commission's internal control over financial reporting and compliance.

MARY MOSIMAN, CPA
Auditor of State

September 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sample Cash Landfill Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Sample Cash Landfill Commission is for the year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2014 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts increased 25%, or approximately \$134,000, from fiscal year 2013 to fiscal year 2014.
- ◆ Operating disbursements increased 10%, or approximately \$54,000, from fiscal year 2013 to fiscal year 2014.
- ◆ The Commission's cash balance decreased 23%, or approximately \$223,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

The Commission 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 U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues 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 revenues 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, readers 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 is intended to serve as an introduction to the 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 Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for 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, 2014 and June 30, 2013 is as follows:

	Changes in Cash Balance	
	Year ended June 30,	
	2014	2013
Operating receipts:		
Solid waste fees	\$ 565,639	494,143
Member assessments	25,356	18,856
Recycling grants	59,740	5,811
Recycling sales	13,464	15,075
Miscellaneous	5,193	1,563
Total operating receipts	669,392	535,448
Operating disbursements:		
Solid waste contractor	272,880	286,574
Building and grounds	-	424
Closure	89,017	-
Other	214,091	234,777
Total operating disbursements	575,988	521,775
Excess of operating receipts over operating disbursements	93,404	13,673
Non-operating receipts (disbursements):		
Interest on investments	17,824	9,198
Recycling collection center equipment	(35,962)	-
Building and grounds	(298,744)	-
Net non-operating receipts (disbursements)	(316,882)	9,198
Change in cash balance	(223,478)	22,871
Cash balance beginning of year	973,296	950,425
Cash balance end of year	\$ 749,818	973,296
Cash Basis Fund Balance		
Restricted for:		
Closure	\$ 112,393	125,000
Postclosure care	211,727	120,000
Total restricted cash basis fund balance	324,120	245,000
Unrestricted	425,698	728,296
Total cash basis fund balance	\$ 749,818	973,296

In fiscal year 2014, operating receipts increased \$133,944, or 25%, over fiscal year 2013. The increase was primarily a result of solid waste fees increasing \$71,496 due to an increase in tipping fees, member contributions increasing \$6,500 and grant income increasing \$53,929. In fiscal year 2014, operating disbursements increased \$54,213, or 10%, over fiscal year 2013. The increase in disbursements was primarily due to construction projects, including closure of 5 acres of the landfill and the installation of a leachate lagoon and toe drain system.

A portion of the Commission's cash balance, \$324,120 (43%), is restricted for closure and postclosure care. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$425,698 (57%), is unrestricted and can be used to meet the Commission's obligations as they come due. The restricted cash balance increased \$79,120, or 32%, during the year. The increase was due to additional funds set aside for closure and postclosure care. The unrestricted cash balance decreased \$302,598, or 42%, during the year due to construction projects.

LONG-TERM DEBT

At June 30, 2014, the Commission had no long term debt outstanding.

ECONOMIC FACTORS

The financial position of the Commission did not improve in the current fiscal year as construction projects decreased its cash balance. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

- ◆ Facilities and equipment require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be one of transition as it makes important decisions regarding the future of solid waste in this planning area.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Commission's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sample Cash Landfill Commission, P.O. Box 000, Anywhere, Iowa 50000.

Sample Cash Landfill Commission

Financial Statement

Exhibit A

Sample Cash Landfill Commission

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2014

Operating receipts:	
Solid waste fees	\$ 565,639
Member assessments	25,356
Recycling grants	59,740
Recycling sales	13,464
Miscellaneous	5,193
Total operating receipts	<u>669,392</u>
Operating disbursements:	
Salaries and benefits	41,962
Solid waste contractor	272,880
Iowa Department of Natural Resources tonnage fee	28,805
Regulatory assistance/engineering	13,325
Tire disposal	1,384
Recycling	53,008
Equipment maintenance	9,172
Ground water monitoring/inspecting	20,739
Road gravel	9,417
Legal, accounting and auditing	5,568
Office equipment and supplies	5,810
Utilities	3,991
Closure	89,017
Insurance	7,633
Miscellaneous	13,277
Total operating disbursements	<u>575,988</u>
Excess of operating receipts over operating disbursements	<u>93,404</u>
Non-operating receipts (disbursements):	
Interest on investments	17,824
Recycling collection center equipment	(35,962)
Building and grounds	(298,744)
Net non-operating receipts (disbursements)	<u>(316,882)</u>
Change in cash balance	(223,478)
Cash balance beginning of year	<u>973,296</u>
Cash balance end of year	<u>\$ 749,818</u>
Cash Basis Fund Balance	
Restricted for:	
Closure	\$ 112,393
Postclosure care	211,727
Total restricted cash basis fund balance	<u>324,120</u>
Unrestricted	<u>425,698</u>
Total cash basis fund balance	<u>\$ 749,818</u>

See notes to financial statement.

Sample Cash Landfill Commission

Notes to Financial Statement

June 30, 2014

(1) Summary of Significant Accounting Policies

The Sample Cash Landfill Commission was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste facilities in Anywhere County on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each member. The members of the Commission include Anywhere County and the cities of One, Two, Three, Four, Five, Six, Seven and Eight. Each member of the Commission has one vote, except for Anywhere County and the City of Three, which each have six votes. Currently, the Commission contracts for landfill operations.

A. Reporting Entity

For financial reporting purposes, the Sample Cash Landfill Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial 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 Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as 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 non-operating 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 non-operating receipts and disbursements.

C. Basis of Accounting

The Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission 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 payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U. S. generally accepted accounting principles.

D. Cash Basis Fund Balance

Funds set aside for payment of closure and postclosure care are classified as restricted.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2014, the Commission had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury Note	<u>\$ 200,000</u>	<u>199,000</u>	October 2014

In addition, the Commission had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$149,818 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Commission.

Credit risk - The Commission's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the Commission is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$2,023, \$1,935 and \$1,453, respectively, equal to the required contributions for each year.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The Commission operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and 1 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 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 Commission. The Commission currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Commission and plan members are \$400 for single coverage and \$800 for family coverage. For the year ended June 30, 2014, the Commission contributed \$4,800 and plan members eligible for benefits contributed \$9,600 to the plan.

(5) Closure and Postclosure Care

To comply with federal and state regulations, the Commission 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 thirty-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 in the current period. The EPA requirements provide when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

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.

These costs for the Commission have been estimated to be \$164,599 for closure and \$263,921 for postclosure care, for a total of \$428,520 as of June 30, 2014. The estimated remaining life of the landfill is 7.3 years, with approximately 82.9% of the landfill's capacity used at June 30, 2014.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun to accumulate resources to fund these costs and, at June 30 2014, assets of \$324,120 are restricted for these purposes, of which \$112,393 is for closure and \$211,727 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), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

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

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

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

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

(6) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2014, the Commission had no unspent tonnage fees.

(7) Risk Management

The Commission 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 700 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 to equal 150% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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 Commission'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 Commission's contributions to the Pool for the year ended June 30, 2014 were \$7,133.

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 Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

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 Commission'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 reinsurance 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. As of June 30, 2014, 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 Commission also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$20,000. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Landfill Operator Contract

The Commission has entered into a contract with Anywhere County Management Services, Inc. for operation of the landfill. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools and equipment necessary for operation, except for recycling responsibilities. For these services, the operator was paid \$272,880 during the year ended June 30, 2014.

(9) Compensated Absences

Commission 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 Commission until used or paid. The Commission's approximate liability for earned vacation at June 30, 2014 was \$2,100. This liability has been computed based on rates of pay in effect at June 30, 2014.

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

**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**

Sample Cash Landfill Commission



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

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

To the Members of the Sample Cash Landfill Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Sample Cash Landfill Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statement, and have issued our report thereon dated September 24, 2014. 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 U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control 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 a material misstatement of the Sample Cash Landfill Commission'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 (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sample Cash Landfill Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not

an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sample Cash Landfill Commission's Responses to the Findings

The Sample Cash Landfill Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Sample Cash Landfill Commission'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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

MARY MOSIMAN, CPA
Auditor of State

September 24, 2014

Sample Cash Landfill Commission

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records and reconciling payments to receivable records.

Recommendation – The Commission should utilize available staff or designate a member of the Board to provide additional control through review of financial transactions to help ensure accounts receivable charges and payments on account are properly recorded and deposited intact.

Response – As per the auditor’s request, the Commission has developed a procedure where the Director will review totals from the receipt ledger against the manual totals figured by Scale Office personnel. Discrepancies will be reviewed and reconciled.

The Director will also review the Accounts Receivable Aging Report each month to make sure payments are being properly recorded to charge accounts. Letters will be sent to accounts that are past due over sixty days.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified a material amount of member assessments misposted as solid waste fees rather than member assessments. Adjustments were subsequently made by the Commission to properly report the amounts in the Commission’s financial statement.

Recommendation – The Commission should implement procedures to ensure receipts are properly recorded in the Commission’s financial statement.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample Cash Landfill Commission

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – 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.
- (2) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Commission should ensure the minutes, including the schedule of bills allowed and gross salaries, are published as required.

Response – This recommendation will be followed for future publications.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted, except as follows:

A resolution naming official depositories has not been adopted by the Commission.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A resolution naming official depositories with sufficient amounts was adopted by the Commission on September 3, 2014 and will be reviewed by the Commission annually.

Conclusion – Response accepted.

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

Sample Cash Landfill Commission

Schedule of Findings

Year ended June 30, 2014

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

	Closure	Postclosure Care
Total estimated costs for closure and postclosure care	\$ 164,599	263,921
Less: Balance of funds held in the local dedicated fund at June 30, 2013	<u>125,000</u>	<u>120,000</u>
	39,599	143,921
Divided by the number of years remaining in the pay-in-period	<u>÷ 1</u>	<u>1</u>
Required payment into the local dedicated fund for the year ended June 30, 2014	39,599	143,921
Balance of funds held in the local dedicated fund at June 30, 2013	<u>125,000</u>	<u>120,000</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2014	<u>\$ 164,599</u>	<u>263,921</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2014	<u>\$ 112,393</u>	<u>211,727</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least annually within 30 days of the close of each fiscal year. The required deposit was made September 3, 2014.

Recommendation – The Commission should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Administrative Code requirements. In addition, the Commission should ensure deposits are made within 30 days of the close of the fiscal year to comply with Iowa Department of Natural Resources rules and regulations.

Response – The Sample Cash Landfill Commission has our engineering consultants do the estimates for financial assurance. The engineers have been using figures as if the deposit had already had been made for the prior year, when in fact the deposit had not been made by June 30th. In the future, the Commission will hold the vote in May in order to get funds moved prior to the June 30th end of the fiscal year.

Conclusion – Response accepted.

Sample Cash Landfill Commission

Staff

This audit was performed by:

John Q. Tickmark, CPA, Manager
Terry Tickmark, CPA, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State