OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE March 9, 2011

Auditor of State David A. Vaudt today released an audit report on the Great River Regional Waste Authority for the year ended June 30, 2010.

The Authority had total receipts of $3,030,585 for the year ended June 30, 2010, a 4.9 percent increase over the prior year. The receipts included solid waste gate fees of $2,218,814, construction and demolition fees of $103,403, integrated waste services support fees of $180,006 and recycling fees of $119,573.

Disbursements for the year totaled $2,784,994, a 20.5 percent increase over the prior year. Disbursements included salaries and benefits of $761,051, consulting, legal and audit of $189,040 and equipment repair and maintenance of $187,231. The significant increase in disbursements is primarily due to equipment purchases during fiscal year 2010 for a truck, a trailer and a scale and for capital outlay to replace a compactor wheel and lagoon repair.

A copy of the audit report is available for review in the Great River Regional Waste Authority office, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/1014-2336-B00F.pdf.

# # #

GREAT RIVER REGIONAL WASTE AUTHORITY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

Table of Contents

Great River Regional Waste Authority

Officials

Name	Title	Representing
Brad Randolph	Chairperson	City of Fort Madison
Gary Adam	Member	Van Buren County
Susan Dunek	Member	City of Keokuk
Marc Lindeen	Member	Henry County
Rick Larkin	Member	Lee County
Wade Hamm	General Manager	
Colleen Lumsden	Business Manager	

Great River Regional Waste Authority

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Independent Auditor's Report

To the Members of the Great River Regional Waste Authority:

We have audited the accompanying financial statement of the Great River Regional Waste Authority as of and for the year ended June 30, 2010. This financial statement is the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Great River Regional Waste Authority as of June 30, 2010, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2011 on our consideration of the Great River Regional Waste Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 10 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Great River Regional Waste Authority's financial statement. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

DAVID A. VAUDT, CPA	WARREN G. JENKINS, CPA
Auditor of State	Chief Deputy Auditor of State

March 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Great River Regional Waste Authority provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Great River Regional Waste Authority is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the Authority's financial statement, which follows.

2010 FINANCIAL HIGHLIGHTS

- ♦ Operating receipts increased 3.9%, or approximately $102,400, from fiscal year 2009 to fiscal year 2010.
- ♦ Operating disbursements increased 9.9%, or approximately $194,800, from fiscal year 2009 to fiscal year 2010.
- ♦ Cash basis net assets increased 3.3%, or approximately $245,600, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The Authority has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than 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 Authority's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Authority's operating receipts and disbursements, non-operating receipts and disbursements and whether the Authority's 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.
- Other Supplementary Information provides information about the Authority's outstanding debt.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Authority and the disbursements paid by the Authority, 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 Authority's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Authority. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, grant proceeds, equipment purchases and sales, capital projects and debt and settlement agreement payments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2010 and June 30, 2009 are presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2010	2009
Operating receipts:		
Solid waste gate fees, including construction and demolition waste fees	$ 2,322,217	2,303,279
Integrated waste services support fees	180,006	212,079
Recycling fees	119,573	60,042
Other	104,782	48,762
Total operating receipts	2,726,578	2,624,162
Operating disbursements:		
Salaries and benefits	761,051	707,278
Hauling and freight	174,694	206,672
Fuel and lubricants	124,580	116,378
Equipment repair and maintenance	187,231	122,801
Consulting, legal and audit	189,040	154,017
Closure and postclosure care	-	7,173
Building and grounds	64,267	137,994
Landfill roads maintenance	84,021	51,544
Iowa Department of Natural Resources tonnage fee	179,116	189,414
Other	388,893	264,804
Total operating disbursements	2,152,893	1,958,075
Excess of operating receipts over operating disbursements	573,685	666,087

Changes in Cash Basis Net Assets (continued)		
	Year ended June 30,	
	2010	2009
Non-operating receipts (disbursements):		
Interest on investments	153,800	173,912
Iowa Department of Vocational Rehabilitation Services grants	62,143	68,052
Household hazardous materials grant	65,000	-
Member capital expansion fees	23,064	23,064
Capital outlay	(328,235)	(99,440)
Settlement agreement	-	(25,000)
Equipment leases	(303,866)	(229,376)
Net non-operating receipts (disbursements)	(328,094)	(88,788)
Net change in cash basis net assets	245,591	577,299
Cash basis net assets beginning of year	7,451,099	6,873,800
Cash basis net assets end of year	$ 7,696,690	7,451,099
Cash Basis Net Assets		
Restricted for:		
Closure and postclosure care	$ 2,404,689	2,346,038
Capital expansion	3,228,612	3,087,484
Solid waste tonnage fees	406,541	441,175
Total restricted net assets	6,039,842	5,874,697
Unrestricted	1,656,848	1,576,402
Total cash basis net assets	$ 7,696,690	7,451,099

In fiscal year 2010, operating receipts increased $102,416, or 3.9%, over fiscal year 2009 and operating disbursements increased $194,818, or 9.9%, over fiscal year 2009. Nonoperating disbursements increased $228,795, or 230%, over fiscal year 2009, primarily due to the purchase of a truck, a trailer, a scale and replacement of a compactor wheel. The Authority also incurred costs in fiscal year 2010 for lagoon repair.

A portion of the Authority's net assets, $2,404,689 (31%), is restricted for closure and postclosure care. State and federal laws and regulations require the Authority 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. A portion of net assets, $406,541 (5%), is restricted for planning and waste reduction programs and $3,228,612 (42%) is restricted for future landfill expansion. The remaining net assets, $1,656,848 (22%), are unrestricted net assets that can be used to meet the Authority's obligations as they come due.

LONG-TERM DEBT

At June 30, 2010, the Authority had paid off all debt outstanding, a decrease of $289,387 from June 30, 2009.

ECONOMIC FACTORS

Some of the projects and realities which will present challenges for the Authority in the coming year are:

- ♦ In August 2007, the Authority approved an agreement with the Federal Aviation Administration and the City of Fort Madison for the re-location of a grass runway at the Fort Madison Municipal Airport at an estimated cost of $300,000 to comply with distance requirements between the landfill and the active airport area. This cost will be covered by a contribution from Lee County in November 2007, which has been restricted for capital expansion.

- ♦ The Authority has a long-term landfill expansion plan which is to be implemented in phases to coincide with demand and the resulting need for landfill capacity. The cost to implement this plan is being covered, in part, by the Lee County capital contribution in November 2007, which has been restricted for capital expansion.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Authority'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 Great River Regional Waste Authority, 2092 303rd Avenue, Fort Madison, Iowa, 52627-9751.

Great River Regional Waste Authority

Financial Statement

Great River Regional Waste Authority

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

Year ended June 30, 2010

Operating receipts:	
Solid waste gate fees	$ 2,218,814
Construction and demolition waste fees	103,403
Woodwaste sales	19,337
Integrated waste services support fees	180,006
Recycling fees	119,573
Miscellaneous	85,445
Total operating receipts	2,726,578
Operating disbursements:	
Salaries and benefits	761,051
Hauling and freight	174,694
Fuel and lubricants	124,580
Equipment repair and maintenance	187,231
Consulting, legal and audit	189,040
Office equipment and supplies	57,278
Utilities	32,226
Building and grounds	64,267
Landfill roads maintenance	84,021
Insurance	96,584
Hazardous material disposal	54,070
Woodwaste processing	20,000
Waste reduction/recycling	54,450
Leachate disposal and testing	29,235
Sales tax remitted	14,141
Iowa Department of Natural Resources tonnage fee	179,116
Miscellaneous	30,909
Total operating disbursements	2,152,893
Excess of operating receipts over operating disbursements	573,685

Great River Regional Waste Authority

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

Year ended June 30, 2010

Non-operating receipts (disbursements):	
Interest on investments	153,800
Iowa Department of Vocational Rehabilitation Services grants	62,143
Household hazardous materials grant	65,000
Member capital expansion fees	23,064
Capital outlay	(328,235)
Equipment leases:	
Principal	(289,387)
Interest	(14,479)
Net non-operating receipts (disbursements)	(328,094)
Net change in cash basis net assets	245,591
Cash basis net assets beginning of year	7,451,099
Cash basis net assets end of year	$ 7,696,690
Cash basis net assets	
Restricted for:	
Closure and postclosure care	$ 2,404,689
Capital expansion	3,228,612
Solid waste tonnage fees	406,541
Total restricted net assets	6,039,842
Unrestricted	1,656,848
Total cash basis net assets	$ 7,696,690

See notes to financial statement.

(1) Summary of Significant Accounting Policies

The Great River Regional Waste Authority was formed in 1988 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Authority is to develop, operate and maintain solid waste disposal and resource recovery facilities in Lee and Henry Counties on behalf of the units of government which are members of the Authority.

The governing body of the Authority is composed of one representative from each member. The members of the Authority include Lee County, Henry County, Van Buren County and the cities of Fort Madison and Keokuk. Each member of the Authority has one vote.

A. Reporting Entity

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

B. Basis of Presentation

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

Enterprise Funds distinguish operating receipts and disbursements from 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 Authority maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Authority is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Authority in accordance with U.S. generally accepted accounting principles.

D. Net Assets

Funds set aside for payment of closure and postclosure care, capital expansion and solid waste tonnage fees are classified as restricted.

(2) Cash and Investments

The Authority's deposits in banks at June 30, 2010 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 Authority 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 Authority; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

The Authority 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 4.30% of their annual salary and the Authority is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were $31,541, $28,774 and $26,186, respectively, equal to the required contributions for each year.

(4) Closure and Postclosure Care Costs

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

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 Authority have been estimated at $2,293,398 for closure and $1,005,132 postclosure care, for a total of $3,298,530 as of June 30, 2010. The estimated remaining life of the landfill is 22.3 years, with approximately 42 percent of the landfill's active cell capacity used at June 30, 2010. The Authority has established closure and postclosure care accounts to accumulate resources to fund these costs and the closure costs associated with the transfer station discussed in Note 5.

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 Authority has begun to accumulate resources to fund these costs and, at June 30 2010, assets of $2,404,689 are restricted for these purposes, of which $2,041,742 is for closure and $362,947 is for postclosure care. They are reported as restricted cash basis net assets in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

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 Authority is required to demonstrate financial assurance for the unfunded costs. The Authority has adopted the local government financial test and the local government dedicated fund financial assurance mechanisms to meet these requirements.

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 Authority 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) Transfer Station Closure Care

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

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

The total closure care costs for the Authority as of June 30, 2010 have been estimated at $23,490. These costs are fully funded at June 30, 2010.

(6) Risk Management

The Authority is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 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 operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Authority's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Authority's contributions to the Pool for the year ended June 30, 2010 were $39,916.

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 in an amount not to exceed $2,650,000 per claim and $10,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 to $10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three years.

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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(7) Solid Waste Tonnage Fees Retained

The Authority has established an account for restricting and using solid waste tonnage fees retained by the Authority in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2010, the unspent amount retained by the Authority and restricted for the required purpose totaled $406,541.

(8) Compensated Absences

Authority 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 Authority until used or paid. The Authority's approximate liability for earned vacation payable to employees at June 30, 2010 was $31,500. This liability has been computed based on rates of pay in effect at June 30, 2010.

(9) Contingencies

On August 3, 2007, the Authority approved an agreement with the Federal Aviation Administration (FAA) and the City of Fort Madison for the relocation of a grass runway at the Fort Madison Municipal Airport at an estimated cost of $300,000. The relocation is required to comply with distance requirements between the landfill and the active airport area. This cost is to be covered by a portion of the bond proceeds from bonds issued by Lee County and remitted to the Authority. At June 30, 2010, the FAA had not issued final approval for the project and no disbursements related to the relocation of the runway had been made.

Great River Regional Waste Authority

Other Supplementary Information

Great River Regional Waste Authority

Schedule of Indebtedness

Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Capital leases:			
CMI biogrind 400 grinder	Sep 23, 2002	5.84%	$ 251,100
Powerscreen shredder	Jul 1, 2003	4.83	345,850
Compactor and CAES system	Jul 30, 2004	4.75	683,688
Total			

See accompanying independent auditor’s report.

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
	89,599	-	89,599	-	6,056
	136,687	-	136,687	-	7,581
	63,101	-	63,101	-	842
$	289,387	-	289,387	-	14,479

Great River Regional Waste Authority

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, 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 Great River Regional Waste Authority:

We have audited the accompanying financial statement of the Great River Regional Waste Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated March 1, 2011. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Great River Regional Waste Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Great River Regional Waste Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Great River Regional Waste Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 Authority's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B) and (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D), (E), (F) and (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Great River Regional Waste Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 Authority's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Great River Regional Waste Authority's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Authority's responses, we did not audit the Great River Regional Waste Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Great River Regional Waste Authority and other parties to whom the Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Great River Regional Waste Authority 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.

DAVID A. VAUDT, CPA Auditor of State	WARREN G. JENKINS, CPA Chief Deputy Auditor of State

March 1, 2011

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 individual has control over each of the following areas for the Authority:

(1) Receipts – opening mail, collecting, depositing, journalizing, reconciling, posting and maintaining accounts receivable records.

(2) Disbursements – invoice processing, check writing, mailing, reconciling and recording.

(3) Investing – recordkeeping, investing, custody of investments and reconciling earnings.

(4) Cash – handling, reconciling and recording.

We also noted the following:

(1) Monthly bank to book reconciliations are not reviewed by an independent person.

(2) Voided receipts are not reviewed by an independent person.

(3) Gate fee rates are not entered into the system by an independent person and there is no independent review of the rates to ensure they agree with approved rates.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Authority should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer and the date of the review.

Response – We will segregate duties as much as possible. An aging report will be printed monthly and reviewed by the General Manager who will initial the report after review. This report will also become part of the Authority packet for review. Bank reconciliations will be reviewed by the General Manager who will also initial the reconciliation after review. This will also become part of the Authority packet for review at our meetings. The General Manager will review and sign off on void receipts before the Business Manager voids them in the system. Rates will be reviewed quarterly by the General Manager who will initial the reports after review.

Conclusion – Response accepted.

(B) Financial Reporting – During the audit, we identified material amounts of investment income not recorded in the Authority's financial statements. We also noted material amounts of disbursements posted to incorrect disbursement or receipt accounts, journal entries recorded twice and certain entries made directly to fund balance. Adjustments were subsequently made by the Authority to properly include the amounts in the financial statements.

Recommendation – The Authority should implement procedures to ensure activity is recorded accurately throughout the year.

Response – We will follow the recommendation.

Conclusion – Response accepted.

(C) Billings, Collections and Delinquencies – The following weaknesses regarding billings, collections and delinquencies were noted:

(1) Charge account billings, collections and delinquent accounts were not reconciled.

(2) The Authority does not have a written policy for the write-off of delinquent accounts.

(3) Reconciliations between the accounting software and the billing software are not performed to ensure all activity is recorded in the general ledger.

(4) Delinquencies are not adequately monitored. The accounts receivable aging listing does not appear to accurately reflect amounts owed to the Authority. In addition, the aging listings from the accounting software and the billing software do not match.

Recommendation – Procedures should be established to reconcile customer billings, collections and delinquencies monthly. The Authority should establish a written policy for delinquent account write-offs. An independent person should review the reconciliations, monitor delinquencies and approve write-offs of uncollectible accounts. The review should be evidenced by the initials of the reviewer and the date of review.

Reconciliations between the accounting and billing software should be performed monthly to ensure all activity is properly reflected in the general ledger. The receivable aging listing should be reviewed for accuracy and procedures should be established to ensure the accounting and billing software listings agree.

Response – We are currently working with our software provider to ensure the accounting and billing software aging listings match. Delinquency listings will be reviewed by the General Manager and presented to the Authority as part of the packet. A written policy will be developed addressing the writing off of delinquent accounts. This policy will ensure the General Manager reviews these accounts and provide initials and date indicating review of these accounts.

Conclusion – Response accepted.

(D) Bank Reconciliation Items – The June 2010 bank reconciliation for the general checking account included voided checks in the outstanding check listing.

Recommendation – Voided checks should not be listed as outstanding. Variances in reconciling bank to book balances should be investigated and resolved in a timely manner.

Response – We will follow the recommendation.

Conclusion – Response accepted.

(E) Disbursements – In accordance with the Authority's purchasing policy, purchase orders are required for vendors with charge accounts. Several invoices with no purchase orders attached or unsigned purchase orders attached were noted. In addition, five disbursements tested were not properly approved for payment.

Recommendation – The Authority should establish procedures to ensure compliance with the purchase order policy. Also, all disbursements should be approved prior to payment.

Response – We will review the policy with employees to ensure the policy is being followed. We will ensure all disbursements are approved prior to payment.

Conclusion – Response accepted.

(F) Information Systems – The following weaknesses in the Authority's computer-based systems were noted:

The Authority does not have written policies for:

(1) Requiring time out/log off or screen saver passwords to protect computer terminals when not in use.

(2) Requiring passwords be changed at least every 60 to 90 days.

(3) Maintaining password privacy and confidentiality.

(4) Number of letters or characters required for passwords.

(5) Requiring backup tapes be stored off site daily.

(6) Ensuring only software licensed to the Authority is installed on computers.

(7) Usage of the internet.

(8) Personal use of computer equipment and software.

In addition:

(1) The Authority does not have a written disaster recovery plan for computer-based systems.

(2) The system does not maintain a log by user name documenting who records adjustments and users are allowed to back date adjustments between months and fiscal years.

Recommendation – The Authority should develop written policies addressing the above items in order to improve the Authority's control over computer-based systems. A written disaster recovery plan should be developed and should be tested periodically. A log should be maintained of users who record adjustments and users should not be allowed to back date adjustments between months and fiscal years.

Response – Policies will be developed and brought before the Authority for approval addressing the items above. A disaster recovery plan will also be developed.

Conclusion – Response accepted.

(G) Accounting Policies and Procedures Manual – The Authority does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures and manual should be developed to provide the following benefits:

(1) Aid in training additional or replacement staff.

(2) Help achieve uniformity in accounting and in the application of policies and procedures.

(3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

(4) Ensure Authority accounts are appropriately utilized.

Response – The Authority will adopt an accounting manual.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Description	Amount
HyVee	Coffee and Coffeemate	$ 29

According to the Attorney General's opinion, it is possible for certain expenses to meet the test of serving a public purpose under certain circumstances, although such expenses will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Authority should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Authority should establish written policies and procedures establishing the public benefit, including the requirement for proper documentation.

Response – The Authority will cease these practices.

Conclusion – Response accepted.

(2) Travel Expense – No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.

(3) Authority Board Minutes – Gross salaries/wages were not published as required.

Recommendation – The Authority's gross wages/salaries should be published as required by Chapter 28E.6 of the Code of Iowa.

Response – We will follow the recommendation.

Conclusion – Response accepted.

(4) Deposits and Investments – A resolution naming official depositories has been adopted by the Authority. However, the maximum deposit amount stated in the resolution for State Central Bank was exceeded during the year ended June 30, 2010. In addition, Section 8 of the Authority's Investment Policy requires diversification of Authority deposits into four banks. The Authority has consolidated accounts in only two banks.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at the approved depositories should be adopted by the Authority and the Authority should ensure compliance with the investment diversification policy or modify the investment policy.

Response – We will follow the recommendation.

Conclusion – Response accepted.

(5) Solid Waste Fees Retainage – During the year ended June 30, 2010, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

(6) Financial Assurance – The Authority has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund and through the local government financial test mechanism, both as provided in Chapter 567-113.14(6) of the Iowa Administration Code (IAC). The local government financial test mechanism is in place to assure those costs not covered by the dedicated fund mechanism. Financial assurance is demonstrated as follows:

	Closure/ Postclosure Care
Total estimated costs for closure and postclosure care	$ 3,298,530
Less: Amount Authority has restricted and reserved for closure and post closure care at June 30, 2010 (dedicated fund mechanism)	2,404,689
Remaining costs to be assured through the local government financial test	$ 893,841
Financial assurance through the local government financial test	$ 952,492

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. No deposit was required during the year ended June 30, 2010 since total costs for closure and postclosure care are fully assured.

(7) Electronic Check Retention – Chapter 554D.14 of the Code of Iowa allows the Authority to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Authority retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check for all checking accounts as required.

Recommendation – The Authority should obtain and retain an image of both the front and back of each cancelled check as required for all checking accounts.

Response – We will follow the recommendation.

Conclusion – Response accepted.

Great River Regional Waste Authority

Staff

This audit was performed by:

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