OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE May 15, 2013

The Office of Auditor of State today released an audit report on the Great River Regional Waste Authority for the year ended June 30, 2012.

The Authority had total receipts of $3,235,065 for the year ended June 30, 2012, an 8.4% increase over the prior year. The receipts included solid waste gate fees of $2,513,077, construction and demolition fees of $49,396, integrated waste services support fees of $253,382 and recycling fees of $183,670.

Disbursements for the year totaled $3,319,162, a 14.6% increase over the prior year. Disbursements included salaries and benefits of $741,934, equipment repair and maintenance of $296,111 and capital outlay of $1,035,624. The increase in disbursements is primarily due to the purchase of a wheel dozer during fiscal year 2012.

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/1214-2336-B00F.pdf.

# # #

GREAT RIVER REGIONAL WASTE AUTHORITY

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

JUNE 30, 2012

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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
Rick Larkin	Member	Lee County
Marc Lindeen	Member	Henry 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, 2012. 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, 2012, 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 April 19, 2013 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.

Our audit was conducted for the purpose of forming an opinion on the Great River Regional Waste Authority's financial statement. Management's Discussion and Analysis on pages 6 through 9 is presented for purposes of additional analysis and is not a required part of the financial statement. The information 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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 19, 2013

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, 2012. We encourage readers to consider this information in conjunction with the Authority's financial statement, which follows.

2012 FINANCIAL HIGHLIGHTS

- ♦ Operating receipts increased 9.4%, or approximately $262,900, from fiscal year 2011 to fiscal year 2012.
- ♦ Operating disbursements decreased 2.5%, or approximately $57,300, from fiscal year 2011 to fiscal year 2012.
- ♦ Cash basis net assets decreased 1.1%, or approximately $84,100, from June 30, 2011 to June 30, 2012.

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.

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, waste services support fees and recycling fees. 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 and capital outlay. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2012 and June 30, 2011 are presented below:

Changes in Cash Basis Net Assets

	Year ended June 30, 2012	Year ended June 30, 2011
Operating receipts:		
Solid waste gate fees, including construction and demolition waste fees	$ 2,562,473	2,289,149
Integrated waste services support fees	253,382	251,622
Recycling fees	183,670	151,571
Other	64,876	109,162
Total operating receipts	3,064,401	2,801,504
Operating disbursements:		
Salaries and benefits	741,934	772,884
Hauling and freight	231,124	177,099
Fuel and lubricants	150,800	142,455
Equipment repair and maintenance	296,111	230,308
Consulting, legal and audit	129,913	195,158
Building and grounds	190,031	260,101
Landfill roads maintenance	39,887	24,930
Iowa Department of Natural Resources tonnage fee	221,839	196,774
Other	281,899	341,174
Total operating disbursements	2,283,538	2,340,883
Excess of operating receipts over operating disbursements	780,863	460,621

Changes in Cash Basis Net Assets (continued)		
	Year ended June 30,	
	2012	2011
Non-operating receipts (disbursements):		
Interest on investments	44,349	108,307
Iowa Department of Vocational Rehabilitation Services grants	51,315	50,115
Iowa Department of Natural Resources grant	-	24,498
Sale of equipment	75,000	-
Capital outlay	(1,035,624)	(556,017)
Net non-operating receipts (disbursements)	(864,960)	(373,097)
Change in cash basis net assets	(84,097)	87,524
Cash basis net assets beginning of year	7,784,214	7,696,690
Cash basis net assets end of year	$ 7,700,117	7,784,214
Cash Basis Net Assets		
Restricted for:		
Closure and postclosure care	$ 2,678,810	2,624,404
Capital expansion	2,991,000	2,972,519
Solid waste tonnage fees	441,966	387,525
Total restricted net assets	6,111,776	5,984,448
Unrestricted	1,588,341	1,799,766
Total cash basis net assets	$ 7,700,117	7,784,214

In fiscal year 2012, operating receipts increased $262,897, or 9.4%, over fiscal year 2011 and operating disbursements decreased $57,345, or 2.5%, from fiscal year 2011. Nonoperating disbursements increased $479,607, or 86.3%, over fiscal year 2011, primarily due to costs incurred in fiscal year 2012 for cell expansion and the purchase of a wheel dozer. Prior year capital outlay was primarily for cell expansion.

A portion of the Authority's net assets, $2,678,810 (35%), 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, $441,966 (6%), is restricted for planning and waste reduction programs and $2,991,000 (39%) is restricted for future landfill expansion. The remaining net assets, $1,588,341 (20%), are unrestricted net assets which can be used to meet the Authority's obligations as they come due.

LONG-TERM DEBT

The Authority had no outstanding debt at June 30, 2011 or June 30, 2012.

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. At June 30, 2012, the Authority had incurred engineering costs of $24,249 relating to the project.

- ♦ 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 AUTHORITY'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, 2012

Operating receipts:	
Solid waste gate fees	$ 2,513,077
Construction and demolition waste fees	49,396
Woodwaste sales	24,183
Integrated waste services support fees	253,382
Recycling fees	183,670
Miscellaneous	40,693
Total operating receipts	3,064,401
Operating disbursements:	
Salaries and benefits	741,934
Hauling and freight	231,124
Fuel and lubricants	150,800
Equipment repair and maintenance	296,111
Consulting, legal and audit	129,913
Office equipment and supplies	72,931
Utilities	38,950
Building and grounds	190,031
Landfill roads maintenance	39,887
Insurance	43,920
Hazardous material disposal	5,872
Woodwaste processing	27,360
Leachate disposal and testing	17,723
Sales tax remitted	23,270
Iowa Department of Natural Resources tonnage fee	221,839
Miscellaneous	51,873
Total operating disbursements	2,283,538
Excess of operating receipts over operating disbursements	780,863

Great River Regional Waste Authority

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

Year ended June 30, 2012

Non-operating receipts (disbursements):	
Interest on investments	44,349
Iowa Department of Vocational Rehabilitation Services grants	51,315
Sale of equipment	75,000
Capital outlay	(1,035,624)
Net non-operating receipts (disbursements)	(864,960)
Change in cash basis net assets	(84,097)
Cash basis net assets beginning of year	7,784,214
Cash basis net assets end of year	$ 7,700,117
Cash basis net assets	
Restricted for:	
Closure and postclosure care	$ 2,678,810
Capital expansion	2,991,000
Solid waste tonnage fees	441,966
Total restricted net assets	6,111,776
Unrestricted	1,588,341
Total cash basis net assets	$ 7,700,117

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, 2012 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 5.38% of their annual salary and the Authority is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were $41,221, $32,675 and $31,541, respectively, equal to the required contributions for each year.

(4) Other Postemployment Benefits (OPEB)

Plan Description – The Authority operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 10 active members and 1 retired member in the plan. Retired participants must be age 55 or older at retirement

The medical/drug benefits are provided through a partially self-funded plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirement of plan members are established by union contract. The Authority currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Authority and plan members are $422 for single coverage and $1,025 for family coverage. For the year ended June 30, 2012, the Authority contributed $99,447 and plan members eligible for benefits contributed $10,207 to the plan.

(5) 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, including transfer station closure care, for the Authority have been estimated at $2,780,030 for closure and $986,711 for postclosure care for a total of $3,766,741 as of June 30, 2012. The estimated remaining life of the landfill is 19.3 years, with approximately 44% of the landfill's cell capacity used at June 30, 2012. 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 6.

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, 2012, assets of $2,678,810 are restricted for these purposes, of which $1,692,099 is for closure and $986,711 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.

(6) 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 which 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 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 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, 2012 have been estimated at $23,490. These costs are fully funded at June 30, 2012.

(7) Risk Management

The Authority is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 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 150% 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 contributions.

The Authority's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's contributions to the Pool for the year ended June 30, 2012 were $43,759.

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. For members requiring specific coverage from $3,000,000 to $12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

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, 2012, 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(8) 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, 2012, the unspent amount retained by the Authority and restricted for the required purpose totaled $441,966.

(9) 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, 2012 was $24,500. This liability has been computed based on rates of pay in effect at June 30, 2012.

(10) Employee Health Insurance Plan

The Authority self-funds a portion of health insurance deductibles for its employees. The plan is funded by Authority contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The Authority self funds up to $1,500 per individual or $3,000 per family, with employees contributing the first $200 and $400, respectively. Administrative service fees and premiums are paid monthly from the Authority's operating funds to a separate account administered by EBS. During the year ended June 30, 2012, the Authority paid $8,010 to the account. The activity in this account is recorded in the Authority's financial statement and the account balance of $25,488 at June 30, 2012 is included in unrestricted cash basis net assets.

(11) 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, 2012, the FAA had not issued final approval for the project and $24,249 in disbursements for engineering costs related to the relocation of the runway had been made.

(12) Commitments

During the year ended June 30, 2012, the Authority entered into a contract for landfill expansion and improvements totaling $470,274, of which $382,934 has been paid at June 30, 2012. The balance of $87,340 will be paid as work on the project progresses.

Great River Regional Waste Authority

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

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, 2012, and have issued our report thereon dated April 19, 2013. 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

The management of the Great River Regional Waste Authority is responsible for establishing and maintaining effective 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) through (D) 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 (E) through (H) 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, 2012 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 the 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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 19, 2013

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) Void receipts and journal entries are not consistently 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.

(4) Initial cash receipts listings are completed, but they are not reviewed by an independent person.

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, including Authority Board Members. Evidence of reviews should be indicated by the signature or initials of the independent reviewer and the date of the review.

Response – The Authority will do the best we can with the staff we have.

Conclusion – Response acknowledged. The Authority should utilize current personnel, including Authority Board Members, to provide additional control through review of financial transactions, reconciliations and reports.

(B) Financial Reporting – During the audit, we identified numerous posting errors which improperly classified receipts and disbursements. Adjustments were subsequently made to properly report receipts and disbursements in the financial statements.

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

Response – The Authority will work to implement procedures to satisfy the recommendation.

Conclusion – Response accepted.

(C) Billings, Collections and Delinquent Accounts – The following weaknesses regarding billings, collections and delinquent accounts were noted:

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

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

(3) Two member organizations have outstanding and past due balances totaling $10,063.

(4) For 3 of 11 balances tested, the aging report did not appear to be accurate.

Recommendation – Procedures should be established to reconcile customer billings, collections and delinquent accounts monthly. An independent person should review the reconciliations, monitor delinquent accounts and approve write-offs of uncollectible accounts. The review should be evidenced by the signature or 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 Authority should review member organization past due balances and establish procedures to ensure the accuracy of aging reports.

Response – The Authority has already started a process to implement the above recommendations.

Conclusion – Response accepted.

(D) Bank Reconciliation Items – The June 2012 bank reconciliation for the general checking account included $60,971 of voided checks in the outstanding check listing causing an understatement of cash at June 30, 2012. Adjustments were subsequently made to properly report cash basis net assets in the financial statement.

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 – The Authority will follow recommendation.

Conclusion – Response accepted.

(E) Monthly Financial Reports – There was no evidence monthly financial reports detailing receipts, disbursements and account balances with comparisons to budget were provided to Authority Board Members.

Recommendation – Monthly financial reports should be prepared and submitted to Authority Board Members for their review and approval. All reports should be maintained on file. Comparisons to budget should be included in the financial reports to provide better control over budgeted disbursements and provide the opportunity for timely amendments to the budget.

Response – Reports along with monthly budget will be provided to the Authority for review at the monthly Authority meetings.

Conclusion – Response accepted.

(F) Disbursements – In accordance with the Authority's purchasing policy, purchases are required to be supported by an invoice or purchase order and the Authority is to approve all disbursements. Certain disbursements, including credit card payments, were not properly supported and/or approved. During the audit, various vendors were contacted to obtain invoices.

Recommendation – The Authority should establish procedures to ensure compliance with the purchasing policy. All disbursements should be properly supported and approved prior to payment.

Response – The Authority will ensure all disbursements are approved and properly supported.

Conclusion – Response accepted.

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

(6) Usage of the internet.

(7) Personal use of computer equipment and software.

In addition, the Authority does not have a written disaster recovery plan for its computer systems and 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 its computer systems. A written disaster recovery plan should be developed and should be tested periodically. A log of users who record adjustments should be maintained and users should not be allowed to back date adjustments between months and fiscal years.

Response – The Authority will attempt to comply with recommendation

Conclusion – Response acknowledged. The Authority should develop written computer system policies as recommended.

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

Recommendation – An accounting policies and procedures 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 develop a policies and procedures manual.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

<u>Other Findings Related to Required Statutory Reporting</u>:

(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
Visa	Interest, hotel no cancellation charge and in-room movie fee	$ 168

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 attempt to comply with recommendation.

Conclusion – Response acknowledged. The Authority should determine and document public purpose prior to authorizing future payments.

(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 by Chapter 28E.6 of the Code of Iowa.

Recommendation – The Authority’s gross salaries/wages should be published as required.

Response – We will start publishing wages as required.

Conclusion – Response accepted.

(4) Deposits and Investments – Except as noted, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Authority’s investment policy were noted.

A resolution naming official depositories has been approved by the Authority. However, the Authority has deposits in institutions not approved in the resolution.

Recommendation – The Authority should adopt a new depository resolution which establishes maximum amounts for each bank the Authority utilizes.

Response – The Authority will issue a new resolution to include the new banks.

Conclusion - Response accepted.

(5) Solid Waste Fees Retainage – During the year ended June 30, 2012, 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	$ 3,766,741
Less: Amount Authority has restricted and reserved for closure and postclosure care at June 30, 2012 (dedicated fund mechanism)	2,678,810
Remaining costs to be assured through the local government financial test	$ 1,087,931
Financial assurance through the local government financial test	$ 1,165,827

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. The required deposit was made May 30, 2012.

(7) Electronic Check Retention – Chapter 554D 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 does not properly retain electronic images of cancelled checks.

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

Response – The Authority will receive proper images of the front and backs of checks from the banks.

Conclusion – Response accepted.

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Dorothy O. Stover, Senior Auditor
Robert W. Endriss, Assistant Auditor
Kaylynn D. Short, Assistant Auditor

Andrew E. Nielsen
Andrew E. Nielsen, CPA
Deputy Auditor of State