

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 25, 2014

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the North Central Iowa Regional Solid Waste Agency.

The Agency had total receipts of \$3,880,222 for the year ended June 30, 2013, a 2.1% increase over the prior year. The receipts included solid waste fees of \$3,239,902, member assessments of \$319,748 and recycling sales of \$176,344.

Disbursements for the year ended June 30, 2013 totaled \$3,783,155, a 39.5% increase over the prior year, and included \$995,694 for cell development, \$915,291 for salaries and benefits and \$354,899 for fuel.

The significant increase in disbursements is due primarily to increased gravel hauling disbursements for a drainage layer project related to cell development at the landfill.

A copy of the audit report is available for review in the North Central Iowa Regional Solid Waste Agency's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1314-6070-B00F.pdf>.

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NORTH CENTRAL IOWA REGIONAL SOLID WASTE AGENCY

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

JUNE 30, 2013

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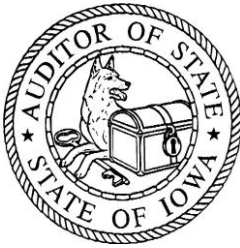
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North Central Iowa Regional Solid Waste Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Troy Hassebrock	Executive Committee Chairman	Jan 2013
Matt Bemrich	Executive Committee Member	Jan 2013
Nate Brockman	Executive Committee Member	Jan 2013
Mark Campbell	Executive Committee Member	Jan 2013
Dale Graham	Executive Committee Member	Jan 2013
Joe Gray	Executive Committee Member	Jan 2013
David Fierke	Executive Committee Member	Jan 2014
Harlan Hanson	Executive Committee Member	Jan 2014
Walter Jensen	Executive Committee Member	Jan 2014
Greg Koch	Executive Committee Member	Jan 2014
Lois Vanhorn	Executive Committee Member	Jan 2014
Mike Grell	Landfill Director	(Resigned April 2013)
Cindy Turkle (Appointed April 2013)	Interim Director	Indefinite
Deb Watson	Director of Recycling & Administration/Finance	(Terminated Sept 2013)

North Central Iowa Regional Solid Waste Agency



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Independent Auditor's Report

To the Members of the
North Central Iowa Regional Solid Waste Agency:

Report on the Financial Statements

We have audited the accompanying financial statement of the North Central Iowa Regional Solid Waste Agency as of and for the year ended June 30, 2013, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the North Central Iowa Regional Solid Waste Agency as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters


Other Information

The other information, Management's Discussion and Analysis on pages 7 through 9, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2014 on our consideration of the North Central Iowa Regional Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Central Iowa Regional Solid Waste Agency's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 9, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North Central Iowa Regional Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the North Central Iowa Regional Solid Waste Agency is for the year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2013 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts increased 2.8%, or approximately \$103,000, from fiscal year 2012 to fiscal year 2013.
- ◆ Operating disbursements increased 3.1%, or approximately \$74,000, from fiscal year 2012 to fiscal year 2013.
- ◆ The Agency's cash balance increased 1.5%, or approximately \$97,000, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The Agency 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 are 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 Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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

Operating receipts are received for gate fees from accepting solid waste, recycling sales and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2013 and June 30, 2012 is as follows:

Changes in Cash Balance		
	Year ended June 30,	
	2013	2012
Operating receipts:		
Solid waste fees	\$ 3,239,902	3,047,061
Member assessments	319,748	319,228
Recycling sales	176,344	268,386
Miscellaneous	43,351	42,030
Total operating receipts	<u>3,779,345</u>	<u>3,676,705</u>
Operating disbursements:		
Salaries and benefits	915,291	929,386
Equipment	25,526	8,463
Other	1,538,602	1,467,393
Total operating disbursements	<u>2,479,419</u>	<u>2,405,242</u>
Excess of operating receipts over operating disbursements	<u>1,299,926</u>	<u>1,271,463</u>
Non-operating receipts (disbursements):		
Interest on investments	2,093	3,208
Buy-in payments	98,784	98,784
Sale of assets	-	20,695
Cell development	(995,694)	(95,065)
Capital lease payments	(248,048)	(162,516)
Equipment purchase	(54,000)	-
Leachate collection system construction	(5,994)	(48,709)
Net non-operating receipts (disbursements)	<u>(1,202,859)</u>	<u>(183,603)</u>
Change in cash balance	97,067	1,087,860
Cash balance beginning of year	<u>6,693,918</u>	<u>5,606,058</u>
Cash balance end of year	<u>\$ 6,790,985</u>	<u>6,693,918</u>
Cash Basis Fund Balance		
Restricted for:		
Closure	\$ 526,194	509,825
Postclosure care	3,678,395	3,556,377
DNR - recycle projects and landfill planning	71,140	43,353
Total restricted cash basis fund balance	<u>4,275,729</u>	<u>4,109,555</u>
Unrestricted	<u>2,515,256</u>	<u>2,584,363</u>
Total cash basis fund balance	<u>\$ 6,790,985</u>	<u>6,693,918</u>

In fiscal year 2013, operating receipts increased \$102,640, or 2.8%, over fiscal year 2012. The increase was primarily a result of solid waste fees increasing \$192,841 and recycling sales decreasing \$92,042. In fiscal year 2013, operating disbursements increased \$74,177, or 3.1%, over fiscal year 2012. The increase in operating disbursements was primarily due to increased engineering costs associated with the cell development, increased road maintenance costs and increased worker's compensation disbursements. Non-operating disbursements increased from \$306,290 in fiscal year 2012 to \$1,303,736 in fiscal year 2013, due primarily to gravel hauling disbursements to haul approximately 65,000 tons of gravel for a drainage layer project related to cell development at the landfill.

A portion of the Agency's cash balance, \$4,204,589 (62%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency 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. Of the remaining cash balance, \$71,140 (1%) is restricted for special recycling projects and planning and \$2,515,256 (37%), is unrestricted and can be used to meet the Agency's obligations as they come due. The restricted cash balance increased \$166,174, or 4%, during the year. The increase was due to additional funds set aside for closure and postclosure care. The unrestricted cash balance decreased \$69,107, or 3%, during the year.

LONG-TERM DEBT

The Agency's long-term debt at June 30, 2013 consisted of two capital lease purchase agreements with a combined outstanding principal balance of \$509,372.

Additional information on the Agency's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS

The financial position of the Agency improved in the current fiscal year. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities which may potentially become challenges for the Agency to meet are:

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

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

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency'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 North Central Iowa Regional Solid Waste Agency, 2150 South 22nd Street, Fort Dodge, IA 50501.

Financial Statement

North Central Iowa Regional Solid Waste Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2013

Operating receipts:	
Solid waste fees	\$ 3,239,902
City assessments	256,590
County assessments	63,158
Recycling sales	176,344
Miscellaneous	43,351
Total operating receipts	<u>3,779,345</u>
Operating disbursements:	
Salaries and benefits	915,291
Equipment	25,526
Department of Natural Resources tonnage fee	216,736
Equipment rental	64,240
Fuel	354,899
Consulting	16,404
Monitoring and inspection	6,681
Engineering	272,790
Equipment maintenance	138,259
Building maintenance	24,294
Supplies	77,885
Legal and professional fees	8,080
Office expense and postage	11,299
Utilities	34,463
Advertising	21,802
Road maintenance	114,083
Insurance	127,758
Security	6,099
Miscellaneous	42,830
Total operating disbursements	<u>2,479,419</u>
Excess of operating receipts over operating disbursements	<u>1,299,926</u>
Non-operating receipts (disbursements):	
Interest on investments	2,093
Buy-in payments	98,784
Cell development	(995,694)
Capital lease purchase payments	(248,048)
Equipment purchase	(54,000)
Leachate collection system construction	(5,994)
Net non-operating receipts (disbursements)	<u>(1,202,859)</u>
Change in cash balance	97,067
Cash balance beginning of year	<u>6,693,918</u>
Cash balance end of year	<u>\$ 6,790,985</u>
Cash Basis Fund Balance	
Restricted for:	
Closure	\$ 526,194
Postclosure care	3,678,395
DNR - recycling projects and landfill planning	71,140
Total restricted cash basis fund balance	<u>4,275,729</u>
Unrestricted	<u>2,515,256</u>
Total cash basis fund balance	<u>\$ 6,790,985</u>

See notes to financial statement.

North Central Iowa Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2013

(1) Summary of Significant Accounting Policies

The North Central Iowa Regional Solid Waste Agency was formed in 1993 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities in Webster County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each member for each 10,000 in population or fraction thereof. The members of the Agency include Webster, Hamilton and Humboldt Counties, and the cities of Badger, Barnum, Blairsburg, Bradgate, Callender, Clare, Dakota City, Dayton, Duncombe, Eagle Grove, Ellsworth, Fort Dodge, Gilmore City, Gowrie, Harcourt, Hardy, Humboldt, Jewell, Kamrar, Knierim, Lehigh, Livermore, Manson, Moorland, Otho, Ottosen, Pioneer, Pomeroy, Randall, Renwick, Rockwell City, Rutland, Stanhope, Stratford, Thor, Vincent, Webster City and Williams.

A. Reporting Entity

For financial reporting purposes, the North Central Iowa Regional Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency 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 Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency 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 Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency 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 Agency in accordance with U. S. generally accepted accounting principles.

D. Net Position

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

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2013 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 Agency 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 Agency; 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 Agency had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$6,492,099 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The Agency's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Pension and Retirement Benefits

The Agency 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 5.78% of their annual salary and the Agency is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$56,724, \$54,308 and \$42,469, respectively, equal to the required contributions for each year.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$749 for single coverage and \$2,300 for family coverage. For the year ended June 30, 2013, the Agency contributed \$126,110 and plan members eligible for benefits contributed \$31,020 to the plan.

(5) Closure and Postclosure Care

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be \$475,184 for closure and \$3,722,400 for postclosure care, for a total of \$4,197,584 as of June 30, 2013. The estimated remaining life of the landfill is 2 years, with approximately 95% of the landfill's capacity used at June 30, 2013. The Agency is actively developing new cells.

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 Agency has accumulated resources to fund these costs and, at June 30 2013, assets of \$4,204,589 are restricted for these purposes, of which \$526,194 is for closure and \$3,678,395 is for postclosure care. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), if the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

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

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

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

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

(6) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2013, the unspent amount retained by the Commission and restricted for the required specific purposes totaled \$71,140.

(7) Risk Management

The Agency 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 679 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 Agency'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 Agency's contributions to the Pool for the year ended June 30, 2013 were \$41,441.

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 Lexington 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, 2013, 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.

The Agency also carries workmen's compensation insurance through the Iowa Municipalities Workers' Compensation Association in the amount of \$1,000,000.

(8) Capital Lease Purchase Agreements

In July 2011, the Agency entered into a capital lease purchase agreement for a compactor. The agreement is for a period of three years at an interest rate of 3.45% per annum and expires in fiscal year 2014.

In September 2012, the Agency entered into a capital lease purchase agreement to purchase a crawler dozer. The agreement is for a period of four years at an interest rate of 3.50% per annum and expires in fiscal year 2017.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements at June 30, 2013 are as follows:

Year Ending June 30,	Compactor	Dozer	Total
2014	\$ 162,516	114,042	276,558
2015	-	114,042	114,042
2016	-	114,042	114,042
2017	-	28,511	28,511
Total minimum lease payments	162,516	370,637	533,153
Less amount representing interest	(2,996)	(20,785)	(23,781)
Present value of net minimum lease payment	<u>\$ 159,520</u>	<u>349,852</u>	<u>509,372</u>

Payments under capital lease purchase agreements totaled \$248,048 for the year ended June 30, 2013.

(9) Compensated Absences

Agency 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 Agency until used or paid. The Agency's approximate liability for earned vacation at June 30, 2013 was \$12,000. This liability has been computed based on rates of pay in effect at June 30, 2013.

Employees who retire from the Agency, and those who leave the Agency after a period of employment of ten years or more, are paid the equivalent of up to 25% of their accumulated unused sick leave, not to exceed a total of 30 days. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned sick leave upon retirement at June 30, 2013 was \$13,700.

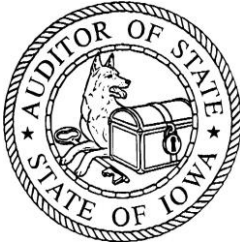
(10) Landfill Loss Contingency

The Iowa Department of Natural Resources has filed a recommendation to the Iowa Attorney General to institute an enforcement action seeking mandatory injunction for compliance and severe penalties resulting from numerous violations identified by the Department. The Agency is currently in negotiations with the Department. Agency legal counsel states the loss will be a minimum of \$10,000, but the total amount of the loss is indeterminable.

(11) Subsequent Event

The Iowa Department of Natural Resources approved a new cell design with an anticipated completion date of July 2014. This new cell will add 277,490 tons of capacity.

**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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Members of the
North Central Iowa Regional Solid Waste Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the North Central Iowa Regional Solid Waste Agency as of and for the year ended June 30, 2013, and the related Notes to Financial Statement, and have issued our report thereon dated June 9, 2014. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the North Central Iowa Regional Solid Waste Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the North Central Iowa Regional Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Central Iowa Regional Solid Waste Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 North Central Iowa Regional Solid Waste Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 (C) through (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Central Iowa Regional Solid Waste Agency'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 Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. 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 North Central Iowa Regional Solid Waste Agency's Responses to the Findings


The North Central Iowa Regional Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The North Central Iowa Regional Solid Waste Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the North Central Iowa Regional Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 9, 2014

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 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 person had control over each of the following areas:
- (1) Accounting system – performing all general accounting functions and custody of assets.
 - (2) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash.
 - (3) Investments – detailed record keeping, custody and reconciling
 - (4) Receipts – opening mail, billing, collecting, depositing, posting and reconciling.
 - (5) Disbursements – purchasing, check preparation, check signing, access to credit cards, recording and reconciling.
 - (6) Payroll – preparing checks, recording transactions, signing and distributing checks. In addition, the same individual tracks compensated absences with no corresponding independent review.
 - (7) Long-term debt – recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances, including utilizing available staff or designated Board members to provide additional control through independent reviews and verification. Such reviews should be documented by the signature or initials of the reviewer and the date of review.

Response – The Agency has new office staff and has already implemented many new procedures for review of all financials. The Agency has retained a private firm for processing the payroll with monitoring and oversight by Agency staff. The Agency staff now uses an accounting program for all disbursements and accounting transactions. All invoices are reviewed by three staff members and then by the Executive Board prior to payment except those reoccurring invoices previously authorized by resolution of the Executive Board. The Executive Board receives a full accounting of all disbursements at each meeting. All checks are now prepared by Agency staff but signed by two different Board members following review of the invoice. Other controls have been implemented but too numerous to list. The Agency will continue to implement more controls in the future.

Conclusion – Response accepted.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2013

- (B) Approval of Disbursements – Vendor invoices do not include evidence of approval for payment or evidence of the disbursement category to which the invoice was classified. Checks written require the signature of two Executive Committee members. The signatures on the canceled checks examined were applied by the Director of Recycling and Administration/Finance using a stamp. The Agency does not have a written policy identifying the process to approve disbursements for payment.

Recommendation – The Agency should develop a written procedure identifying the process to approve disbursements, including Director approval and manual signatures. Disbursement classifications should be noted on each invoice prior to review and approval by the Director.

Response – The Agency has implemented procedures which include review of all invoices by the equipment supervisor and the Interim Director. In addition, the two Executive Board members who sign the checks review each invoice prior to signing the payment check. Written procedures will be included in the accounting procedures when time allows for it to be developed.

Conclusion – Response accepted.

- (C) Payroll – Documentation of authorized pay rates and payroll deductions for certain employees could not be located. In addition, there is no indication timesheets are reviewed by supervisory personnel prior to preparation of payroll and time cards were not prepared or retained for salaried employees.

Recommendation – Procedures should be established to ensure timesheets are completed by all employees and reviewed by supervisory personnel prior to preparation of payroll. The Agency should maintain all supporting documentation for authorized pay rates and payroll deductions.

Response – Timesheets are now reviewed by the equipment supervisor and administrative assistant prior to sending the information to the private payroll consulting firm for processing. Authorized pay rates and payroll deductions are being maintained in the files. Procedures will be included in the accounting manual when time permits.

Conclusion – Response acknowledged. Timesheets should be prepared by all employees, including salaried employees.

- (D) Accounting Policies and Procedures Manual – The Agency does not have a current comprehensive 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.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2013

- (3) Improve transparency in financial reports and save supervisory time by recording decisions so they will not have to be made each time the same, or similar, situation arises.
- (4) Ensure Agency accounts are appropriately utilized.

Response – The Agency staff will be developing an accounting policy and procedures manual in the near future. Current staff have been busy finding and correcting previous problems.

Conclusion – Response accepted.

- (E) Computer System – The following weaknesses in the Agency’s computer system were noted:

The Agency does not have written policies for:

- Logging off unattended computers.
- Passwords - including password privacy and confidentiality, requiring passwords to be changed every 60 to 90 days and requiring passwords to be a minimum of eight characters long.
- Requiring a lockout function for incorrectly entered passwords.
- Requiring backups be performed and stored at an offsite location.
- The use of an anti-virus program on computers.
- Ensuring only software licensed to the Agency is installed on computers.
- Computer and internet usage.
- Personal use of computer equipment and software.

Also, while the Agency has a written Emergency Response and Remedial Action Plan for its landfill site, it does not have a comprehensive written disaster recovery plan which encompasses all operations.

Recommendation – The Agency should develop written policies addressing the above items to improve the Agency’s control over its computer system. Also, a comprehensive written disaster recovery plan should be developed and tested periodically.

Response – The Agency recognizes there are additional policies which need to be developed. Although some of these items have been addressed and implemented by the Agency, a formal written policy has not been developed due to time limitations. Every effort will be made to develop a written policy which addresses all of the issues listed.

Conclusion – Response accepted.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2013

- (F) Bank Reconciliations – Reconciliations of book balances to the bank and cash balances were not reviewed by an independent individual. Bank statements containing check images do not provide images of the backs of checks.

Recommendation – To improve financial accountability and control, a reconciliation of the book balances to bank and cash balances should be reviewed by an independent individual. Any variances should be investigated and resolved in a timely manner. The bank reconciliation should also include review of the front and back of all checks.

Response – Agency staff has computerized all accounts and reconciles the bank statements with the cash and charge account ledgers. Each month, the front and backs of checks are verified by staff. Variances are investigated and corrected immediately upon discovery.

Conclusion – Response accepted.

- (G) Charge Accounts – The Agency has multiple charge accounts with local vendors. There is no official written list of all of the Agency’s charge accounts and who is allowed to charge at each vendor. There is no written policy covering the use of the charge accounts.

Recommendation – The Agency should develop a policy covering the use of charge accounts. The policy should include requiring original vendor receipts be turned in when a charge account is used. Also a list of open charge accounts, including who is authorized to charge at each vendor, should be maintained and periodically reviewed.

Response – A list of charge accounts has been developed, reviewed and updated with a reduction in the number of accounts used by Agency staff. Only certain employees are authorized to charge at local vendors. An updated list of authorized employees has been provided to all vendors. At least annually, this list is reviewed and updated.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2013

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:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Wells Fargo Business	Finance charges and late fees	\$ 42
Becker Florist	Flowers	40

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items 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 Agency should ensure all disbursements are paid timely. The Agency should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Agency should establish written policies and procedures, including the requirement for proper documentation.

Response – These disbursements were made by previous staff no longer with the Agency. All current staff are aware of what purchases and disbursements are acceptable for a public agency. The Agency no longer has a credit card and all loans on equipment are paid prior to their due date to avoid late charges.

Conclusion – Response accepted.

- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – The Agency’s full Board meets annually in January, while its Executive Committee generally meets monthly. The minutes for the full Board meeting did not clearly identify whether a quorum was present. Article III(A) of the 28E agreement sets the membership of the full Board as a representative or representatives appointed by the governing body of each member of the Agency for each 10,000 population, or fraction thereof, represented. Each appointed representative shall have one vote for each 1,000 population, or fraction thereof, residing in the governmental subdivision he/she represents, up to 10 votes each. There are 41 members of the Agency, with 43 appointed representatives who have 96 votes. Article III(C) of the 28E agreement defines a quorum of the full Board as a majority of the total number of votes of all representatives, whether present or not. The minutes identified which representatives were present, but not the number of votes for each.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2013

The September 2013 minutes for the Executive Committee meeting did not show information sufficient to indicate the vote of each member present. Chapter 21.3 of the *Code of Iowa* specifies “The minutes shall show the results of each vote taken at each meeting. The vote of each member present shall be made public at open session.”

The Board ratifies disbursements rather than approving disbursements prior to payment. Additionally, certain minutes were not signed.

Recommendation – The Agency should identify the number of votes for each representative present at the full Board meetings. The minutes for all meetings should be signed to authenticate the record and minutes should show information to indicate the vote of each member present, as required by Chapter 21.3 of the Code of Iowa. Except as allowed by Agency policy, disbursements should be approved by the Board prior to payment.

Response – The Agency and its legal counsel now verify the votes for full Board meetings and determine if a quorum is present. All minutes are now signed to verify their authenticity. All votes are shown in all meeting minutes. All disbursements are approved by the Board prior to payment

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency’s investment policy were noted.
- (5) Solid Waste Fees Retainage – No instances of non-compliance with the solid waste fees used or retained in accordance with the provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (6) Gravel Hauling Contract – The Agency hired Gypsum Hollow Industries to haul approximately 65,000 tons of gravel for a drainage layer project related to a new cell development at the landfill. From September 5, 2012 through February 28, 2013, Gypsum Hollow Industries was paid \$995,694 for acquiring and hauling gravel.

The only discussion regarding this contract in the Executive Committee minutes occurred during the May 16, 2012 meeting. The Landfill Director told the Committee he could find the needed gravel for \$14 per ton and the Executive Committee voted to purchase the gravel drainage material needed for the cell development project. The Landfill Director requested quotes from 4 vendors prior to the meeting, but there was no indication in the minutes of a bidding process having been completed. The lowest quote was from Gypsum Hollow Industries at \$15.40 per ton, which is higher than the price the Landfill Director quoted to the Executive Committee when it voted to purchase the gravel. No formal contract between the Agency and Gypsum Hollow Industries was entered into.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2013

Chapter 26.3 of the *Code of Iowa* provides if the estimated total cost of a public improvement exceeds the competitive bid threshold, the governmental entity shall advertise for sealed bids for the proposed public improvement by publishing a notice to bidders. For fiscal year 2013, the competitive bid threshold was \$125,000. No advertisement for sealed bids was done. Chapter 26.2 of the *Code of Iowa* defines a “governmental entity” as the state, political subdivisions of the state, public school corporations, and all officers, boards, or commissions empowered by law to enter into contracts for the construction of public improvements. Attorney General’s Opinion 92-11-4 states, in part, “A 28E entity created by joint action of public agencies is itself a public agency and political subdivision.” The Agency was established in accordance with Chapter 28E of the *Code of Iowa* through an agreement between 41 city and county governments.

According to the Board member we spoke with during the reaudit, the owner of Gypsum Hollow Industries is the son of former Landfill Director Mike Grell. While the *Code of Iowa* does not define conflict of interest standards for employees of Chapter 28E organizations, procuring services from the Director’s son’s company without proper bidding would not be considered a good business practice. Good business practice would be to ensure contracts are awarded and monitored without any potential conflict of interest.

The Agency has not established written policies and procedures regarding the procurement of goods and services.

In addition, a semi trailer owned by Gypsum Hollow Industries was purchased from a third party trucking company.

Recommendation – The Agency should develop written policies and procedures to ensure the procurement of goods and services are properly approved by the Executive Committee, follow requirements established by the *Code of Iowa*, are formalized by written contracts and are awarded and monitored without any potential conflict of interest. The agency should consult legal counsel regarding the additional \$1.40 per ton paid to Gypsum Hollow Industries to determine whether any legal recourse is available. The Agency should also consult legal counsel regarding the propriety of the semi trailer purchase.

Response – The Agency recognizes this was an unacceptable practice by staff who no longer work for the Agency. Current staff and Board members know the importance of competitive bidding and will not tolerate such action again. All purchases will be conducted competitively and in accord with State law. The Agency has consulted with legal staff regarding all of these inappropriate actions.

Conclusion – Response accepted.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2013

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

	<u>Closure</u>	<u>Postclosure</u>	<u>Total</u>
Total estimated costs for closure and postclosure care at June 30, 2013	\$ 475,184	3,722,400	4,197,584
Amount Agency has restricted for closure and postclosure care at June 30, 2013	\$ 526,194	3,678,395	4,204,589

The Agency has demonstrated financial assurance for closure and postclosure care by depositing sufficient amounts in the dedicated fund.

North Central Iowa Regional Solid Waste Agency

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Brandon J. Vogel, Senior Auditor
Tiffany N. Aliprandi, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, looped initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State