



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE June 28, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Great River Regional Waste Authority for the year ended June 30, 2009.

The Authority had total receipts of \$2,889,190 for the year ended June 30, 2009, a 60 percent decrease from the prior year. The receipts included solid waste gate fees of \$2,087,934, construction and demolition fees of \$215,345 and integrated waste services support fees of \$212,079. The significant decrease in receipts is primarily due to the receipt of a \$3,786,256 capital contribution from Lee County in fiscal year 2008 for future landfill expansion. The remaining decrease was due to the Authority discontinuing the waste management fees assessed to members and implementing the integrated waste services support fees.

Disbursements for the year totaled \$2,311,891, a 48 percent decrease from the prior year. Disbursements included salaries and benefits of \$707,278, hauling and freight of \$206,672 and \$189,414 in tonnage fees. The significant decrease in disbursements is primarily due to a decrease in capital expansion disbursements from fiscal year 2008 to fiscal year 2009.

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/index.html>.

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**GREAT RIVER REGIONAL WASTE AUTHORITY**

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

**JUNE 30, 2009**

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**Great River Regional Waste Authority**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Brad Randolph	Chairperson	City of Fort Madison
Gary Adam	Member	Van Buren County
Susan Dunek	Member	City of Keokuk
Marc Lindeen	Member	Henry County
Rick Larkin	Member	Lee County
Wade Hamm	Operations 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, 2009. 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, 2009, 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.

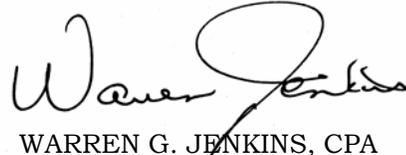
In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2010 on our consideration of the Great River Regional Waste Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 9, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2009. We encourage readers to consider this information in conjunction with the Authority's financial statement, which follows.

### **2009 FINANCIAL HIGHLIGHTS**

- ◆ Operating receipts decreased 14.2%, or approximately \$439,000, from fiscal year 2008 to fiscal year 2009.
- ◆ Operating disbursements decreased less than one percent, or approximately \$15,000, from fiscal year 2008 to fiscal year 2009.
- ◆ Cash basis net assets increased 8.4%, or approximately \$577,000, from June 30, 2008 to June 30, 2009.

### **USING THIS ANNUAL REPORT**

The Authority has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Authority's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Authority's operating receipts and disbursements, non-operating receipts and disbursements and whether the Authority's financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.
- Other Supplementary Information provides information about the Authority's outstanding debt.

## FINANCIAL ANALYSIS OF THE AUTHORITY

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

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

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Authority. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for capital contributions, interest on investments, grant proceeds, equipment purchases and sales, capital projects and debt and settlement agreement payments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2009 and June 30, 2008 are presented below:

	Changes in Cash Basis Net Assets	
	Year ended June 30,	
	2009	2008
Operating receipts:		
Solid waste gate fees, including construction and demolition waste fees	\$ 2,303,279	2,268,103
Waste management member fees	-	610,298
Integrated waste services support fees	212,079	39,272
Recycling fees	60,042	101,411
Other	71,826	67,290
Total operating receipts	<u>2,647,226</u>	<u>3,086,374</u>
Operating disbursements:		
Salaries and benefits	707,278	704,785
Hauling and freight	206,672	169,275
Fuel and lubricants	116,378	145,490
Equipment repair and maintenance	122,801	147,811
Consulting, legal and audit	154,017	72,040
Closure and postclosure care	7,173	89,891
Building and grounds	137,994	53,559
Landfill roads maintenance	51,544	67,799
Iowa Department of Natural Resources tonnage fee	189,414	173,893
Other	264,804	318,913
Total operating disbursements	<u>1,958,075</u>	<u>1,943,456</u>
Excess of operating receipts over operating disbursements	<u>689,151</u>	<u>1,142,918</u>

Changes in Cash Basis Net Assets (continued)		
	Year ended June 30,	
	2009	2008
Non-operating receipts (disbursements):		
Interest on investments	173,912	166,429
Iowa Department of Vocational Rehabilitation Services grants	68,052	45,085
Sale of equipment	-	66,000
Capital contribution	-	3,786,256
Landfill capital expansion	(99,440)	(1,902,053)
Settlement agreement payment	(25,000)	(25,000)
Equipment	-	(322,128)
Debt service:		
Iowa Department of Natural Resources SWAP loan	-	(54,797)
Equipment leases	(229,376)	(233,460)
Net non-operating receipts (disbursements)	(111,852)	1,526,332
Net change in cash basis net assets	577,299	2,669,250
Cash basis net assets beginning of year	6,873,800	4,204,550
Cash basis net assets end of year	\$ 7,451,099	6,873,800
<b>Cash Basis Net Assets</b>		
Restricted for:		
Closure and postclosure care	\$ 2,346,038	2,200,666
Capital expansion	3,087,484	3,022,192
Solid waste tonnage fees	441,175	368,538
Total restricted net assets	5,874,697	5,591,396
Unrestricted	1,576,402	1,282,404
Total cash basis net assets	\$ 7,451,099	6,873,800

In fiscal year 2009, operating receipts decreased \$439,148, or 14.2%, from fiscal year 2008. The decrease is primarily due to eliminating waste management member fees effective December 2007. This fee was replaced by a lower integrated waste services support fee, which represents a \$1 per household monthly charge and is collected and remitted to the Authority by each member. Recycling fees also decreased from the prior year due to a decrease in the price for recycling materials. The Authority is storing some recyclable materials until prices increase.

A portion of the Authority's net assets, \$2,346,038 (31.5%), 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, \$441,175 (5.9%), is restricted for planning and waste reduction programs and \$3,087,484 (41.4%) is restricted for future landfill expansion. The remaining net assets, \$1,576,402 (21.2%), are unrestricted net assets that can be used to meet the Authority's obligations as they come due.

## LONG-TERM DEBT

At June 30, 2009, the Authority had \$289,387 in debt outstanding, all pertaining to capital lease purchase agreements, a decrease of \$208,071 from June 30, 2008. Additional information about the Authority's long-term debt is presented in Note 6 to the financial statement.

## **ECONOMIC FACTORS**

Some of the projects and realities that 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 received from Lee County in November 2007.
- ◆ 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 received in November 2007, which has been restricted for capital expansion.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, 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 303<sup>rd</sup> 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, 2009

Operating receipts:	
Solid waste gate fees	\$ 2,087,934
Construction and demolition waste fees	215,345
Woodwaste sales	20,913
Integrated waste services support fees	212,079
Recycling fees	60,042
Miscellaneous	50,913
Total operating receipts	<u>2,647,226</u>
Operating disbursements:	
Salaries and benefits	707,278
Hauling and freight	206,672
Fuel and lubricants	116,378
Equipment repair and maintenance	122,801
Consulting, legal and audit	154,017
Office equipment and supplies	42,902
Utilities	30,106
Building and grounds	137,994
Landfill roads maintenance	51,544
Insurance	22,220
Hazardous material disposal	53,131
Woodwaste processing	20,000
Leachate disposal and testing	38,011
Closure and post closure care	7,173
Sales tax remitted	15,677
Iowa Department of Natural Resources tonnage fee	189,414
Miscellaneous	42,757
Total operating disbursements	<u>1,958,075</u>
Excess of operating receipts over operating disbursements	<u>689,151</u>

Great River Regional Waste Authority

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

Year ended June 30, 2009

Non-operating receipts (disbursements):	
Interest on investments	173,912
Iowa Department of Vocational Rehabilitation Services grants	68,052
Landfill capital expansion	(99,440)
Settlement agreement payment	(25,000)
Equipment leases:	
Principal	(208,071)
Interest	(21,305)
Net non-operating receipts (disbursements)	<u>(111,852)</u>
Net change in cash basis net assets	577,299
Cash basis net assets beginning of year	<u>6,873,800</u>
Cash basis net assets end of year	<u><u>\$ 7,451,099</u></u>
<b>Cash basis net assets</b>	
Restricted for:	
Closure and postclosure care	\$ 2,346,038
Capital expansion	3,087,484
Solid waste tonnage fees	441,175
Total restricted net assets	<u>5,874,697</u>
Unrestricted	<u>1,576,402</u>
Total cash basis net assets	<u><u>\$ 7,451,099</u></u>

See notes to financial statement.

Great River Regional Waste Authority

Notes to Financial Statement

June 30, 2009

**(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, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

#### **(3) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual salary and the Authority is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$28,774, \$26,186 and \$28,861, respectively, equal to the required contributions for each year.

#### **(4) Closure and Postclosure Care Costs**

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

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

These costs for the Authority have been estimated at \$2,301,070 for closure and \$1,025,926 for postclosure care, for a total of \$3,326,996 as of June 30, 2009. The estimated remaining life of the landfill is 21.2 years, with approximately 39 percent of the landfill's active cell capacity used at June 30, 2009. The Authority has established a Closure and Postclosure account to accumulate resources to fund these costs and the closure costs associated with the transfer station discussed in Note 5.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure 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 2009, assets of \$2,346,038 are restricted for these purposes, of which \$2,029,924 is for closure and \$316,114 is for postclosure care. They are reported as restricted cash basis net assets on 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. In 2009, the Authority switched to a combination of the local government financial test and local government dedicated fund financial assurance mechanisms.

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 accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

#### **(5) Transfer Station Closure Care**

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

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

The total closure care costs for the Authority as of June 30, 2009 have been estimated at \$19,081. These costs are fully funded at June 30, 2009.

**(6) Long-Term Debt**

Capital Lease-Purchase Agreements

In September 2002, the Authority entered into a lease-purchase agreement to purchase a CMI Biogrind 400 grinder. The agreement has an effective interest rate of 5.84% and requires semi-annual payments of \$16,497, including interest, with the final payment due on June 15, 2012. During the year ended June 30, 2009, the Authority paid \$32,993 on the agreement, including principal of \$26,587 and interest of \$6,406. The balance on the agreement at June 30, 2009 was \$89,599.

In July 2003, the Authority entered into a lease-purchase agreement to purchase a powerscreen shredder. The agreement has an effective interest rate of 4.83% and requires semi-annual payments of \$21,461, including interest, with the final payment due on December 15, 2012. During the year ended June 30, 2009, the Authority paid \$42,922 on the agreement, including principal of \$34,399 and interest of \$7,923. The balance on the agreement at June 30, 2009 was \$136,687.

In July 2004, the Authority entered into a lease-purchase agreement to purchase a compactor and CAES system. The agreement has an effective interest rate of 4.75% and requires monthly payments of \$12,788, including interest, with the final payment due on December 30, 2009. During the year ended June 30, 2009, the Authority paid \$153,461 on the agreement, including principal of \$146,485 and interest of \$6,976. The balance on the agreement at June 30, 2009 was \$63,101.

The following is a schedule of future minimum lease payments and the present value of net minimum lease payments under the above agreements in effect at June 30, 2009:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 139,595
2011	75,915
2012	75,915
2013	21,462
Total minimum lease payments	<u>312,887</u>
Less amount representing interest	<u>(23,500)</u>
Present value of net minimum lease payments	<u>\$ 289,387</u>

**(7) Risk Management**

The Authority is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Authority's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Authority's contributions to the Pool for the year ended June 30, 2009 were \$39,536, which was paid in June 2008.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three years.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

#### **(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, 2009, the unspent amount retained by the Authority and restricted for the required purpose totaled \$441,175.

**(9) Compensated Absences**

Authority employees accumulate a limited amount of earned but unused vacation leave 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, 2009 was \$29,000. This liability has been computed based on rates of pay in effect at June 30, 2009.

**(10) Litigation Settlement**

The Authority was a defendant in a lawsuit and on June 29, 2007 entered into a Settlement Agreement with the Des Moines County Regional Solid Waste Commission. The agreement requires gate fee refunds of \$25,000 on July 1, 2007, July 1, 2008 and July 1, 2009. As of June 30, 2009, the settlement had been paid in full.

**(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, 2009, the FAA had not issued final approval for the project and no disbursements related to the relocation of the runway had been made.

**Other Supplementary Information**

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Great River Regional Waste Authority

Schedule of Indebtedness

Year ended June 30, 2009

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

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
116,186	-	26,587	89,599	6,406
171,686	-	34,999	136,687	7,923
209,586	-	146,485	63,101	6,976
<u>\$ 497,458</u>	<u>-</u>	<u>208,071</u>	<u>289,387</u>	<u>21,305</u>

**Great River Regional Waste Authority**



**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 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, 2009, and have issued our report thereon dated June 9, 2010. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Great River Regional Waste Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Great River Regional Waste Authority's financial statement that is more than inconsequential will not be prevented or detected by the Great River Regional Waste Authority's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Great River Regional Waste Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (C), (E) and (I) are material weaknesses.

#### 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 that 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 9, 2010

Great River Regional Waste Authority

Schedule of Findings

Year ended June 30, 2009

**Findings Related to the Financial Statement:**

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

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

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

Conclusion – Response accepted.

Great River Regional Waste Authority

Schedule of Findings

Year ended June 30, 2009

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

The Authority does not have written policies for:

- (1) Requiring time out/log off or screen saver passwords to protect computer terminals when not in use.
- (2) Requiring passwords be changed at least every 60 to 90 days.
- (3) Maintaining password privacy and confidentiality.
- (4) Number of letters or characters required for passwords.
- (5) Requiring backup tapes be stored off site daily.
- (6) Ensuring only software licensed to the Authority is installed on computers.
- (7) Usage of the internet.
- (8) Personal use of computer equipment and software.

In addition:

- (1) The Authority does not have a written disaster recovery plan for computer based financial information.
- (2) The system does not maintain a log by user name documenting who records adjustments and users are allowed to back date adjustments between months and fiscal years.

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

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

Conclusion – Response accepted.

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

- (1) Charge account billings, collections and delinquent accounts were not reconciled.
- (2) The Authority does not have a written policy for the write-off of delinquent accounts.
- (3) Reconciliations between the accounting software and the billing software are not performed to ensure all activity is recorded in the general ledger.
- (4) Delinquencies are not adequately monitored. The accounts receivable aging listing does not appear to accurately reflect amounts currently owed to the Authority. In addition, the aging listings do not match between the accounting software and the billing software.

Great River Regional Waste Authority

Schedule of Findings

Year ended June 30, 2009

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

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

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

Conclusion – Response accepted.

- (D) Financial Information Responsibility – A third party vendor provides payroll processing services for the Authority. The Authority's records do not include evidence the payroll reports are reviewed by Authority personnel for accuracy and completeness.

Recommendation – The Authority should review payroll information provided by the third party vendor monthly for accuracy and completeness and should evidence this review with initials of the reviewer and the date reviewed.

Response – We will review and sign off on all reports the third party vendor provides to the Authority.

Conclusion – Response accepted.

- (E) Bank Reconciliations – While monthly bank reconciliations of the checking account were prepared, the overall book and bank balances, including investments, were not reconciled monthly.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances, including investments, should be prepared and retained. Any variances should be investigated and resolved in a timely manner.

Response – We will follow the recommendation.

Conclusion – Response accepted.

- (F) Disbursements – In accordance with the Authority's purchasing policy, purchase orders are required for vendors with charge accounts. Several invoices were noted with no purchase orders attached or unsigned purchase orders attached.

Great River Regional Waste Authority

Schedule of Findings

Year ended June 30, 2009

Recommendation – The Authority should establish procedures to ensure compliance with the purchase order policy.

Response – We will review the policy with employees to ensure the policy is being followed.

Conclusion – Response accepted.

- (G) Transfers – Intrafund and bank account transfers were not always adequately explained or approved by the Authority and documented in the minutes record.

Recommendation – All transfers should be approved by the Authority and this approval should be documented in the minutes record. Procedures should be established to require adequate explanation(s) and documentation for each transfer.

Response – All documentation pertaining to transfers will be approved by the Authority and placed with the meeting minutes.

Conclusion – Response accepted.

- (H) Separately Maintained Records – A separate bank account is maintained for the Authority's pop fund. This account was not reflected in the Authority's accounting system and has not been included in the Authority's annual budget or monthly financial reports. One person has control over each of the following areas for this account:

- (1) Cash receipts – collecting, depositing, journalizing, posting and reconciling.
- (2) Disbursements – check writing and signing.
- (3) Bank reconciliations are not prepared for this account.

Recommendation – All pop fund collections should be credited to the Authority's general checking account and all disbursements should be reflected in the Authority's accounting system, annual budget and financial reports.

Response – The employee pop fund will cease and all proceeds will be placed into the Authority's General Fund.

Conclusion – Response accepted.

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

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

Response – We will follow the recommendation.

Conclusion – Response accepted.

Great River Regional Waste Authority

Schedule of Findings

Year ended June 30, 2009

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

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

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure Authority accounts are appropriately utilized.

Response – The Authority will adopt an accounting manual.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Great River Regional Waste Authority

Schedule of Findings

Year ended June 30, 2009

**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>Description</u>	<u>Amount</u>
HyVee	Coffeemate, coffee, rolaids, dog biscuits, food and supplies for employee parties	\$ 395
Kempker's True Value	Coffee pot	110

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

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

Response – The Authority will cease these practices.

Conclusion – Response accepted.

- (2) Travel Expense – No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.
- (3) Authority Board Minutes – We were unable to determine which transactions were approved by the Authority Board because the listings were not included in the minutes. Gross salaries/wages were not published as required.

Recommendation – The listings of approved disbursements should be included with the minutes and should provide evidence of review. The Authority's gross wages/salaries should be published as required by Chapter 28E.6 of the Code of Iowa.

Response – We will follow the recommendation.

Conclusion – Response accepted.

- (4) Deposits and Investments – A resolution naming official depositories has been adopted by the Authority. However, the maximum deposit amount stated in the resolution for State Central Bank was exceeded during the year ended June 30, 2009. In addition, Section 8 of the Authority's Investment Policy requires diversification of Authority deposits into four banks. The Authority has consolidated accounts into deposits at only two banks.

Great River Regional Waste Authority

Schedule of Findings

Year ended June 30, 2009

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

Response – We will follow the recommendation.

Conclusion – Response accepted.

- (5) Solid Waste Fees Retainage – During the year ended June 30, 2009, 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:

	<u>Closure/ Postclosure Care</u>
Total estimated costs for closure and postclosure care	\$ 3,326,996
Less: Amount Authority has restricted and reserved for closure and post closure care at June 30, 2009 (dedicated fund mechanism)	<u>2,346,038</u>
Remaining costs to be assured through the local government financial test	<u>\$ 980,958</u>
Financial assurance through the local government financial test	<u>\$ 1,145,411</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. No deposit was required during the year ended June 30, 2009 since total costs for closure and postclosure care are fully assured.

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

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

Response – We will follow the recommendation.

Conclusion – Response accepted.

Great River Regional Waste Authority

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Billie Jo Heth, Senior Auditor II  
Brett M. Zeller, Staff Auditor  
Samantha J. Brincks, CPA, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State