

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 13, 2015

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 \$4,162,982 for the year ended June 30, 2014, a 7.3% increase over the prior year. The receipts included solid waste fees of \$3,567,519, member assessments of \$322,139 and recycling sales of \$155,213.

Disbursements for the year ended June 30, 2014 totaled \$3,388,226, a 10.4% decrease from the prior year, and included \$622,597 for cell development, \$784,697 for salaries and benefits and \$600,816 for capital lease payments.

The significant decrease in disbursements is due primarily to completion of a new cell development project at the landfill during fiscal year 2014.

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/1414-6070-B00F.pdf>.

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NORTH CENTRAL IOWA REGIONAL SOLID WASTE AGENCY

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

JUNE 30, 2014

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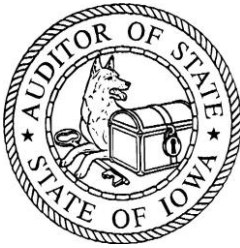
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North Central Iowa Regional Solid Waste Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Campbell	Executive Board Chairman	Jan 2015
Nate Brockman	Executive Board Member	Jan 2015
Dale Graham	Executive Board Member	Jan 2015
Joe Gray	Executive Board Member	Jan 2015
Jeffrey Halter	Executive Board Member	Jan 2015
Troy Hassebrock	Executive Board Member	Jan 2015
Donovan Adson	Executive Board Member	Jan 2016
Dave Fierke	Executive Board Member	Jan 2016
Harlan Hansen	Executive Board Member	Jan 2016
Walter Jansen	Executive Board Member	Jan 2016
Greg Koch	Executive Board Member	Jan 2016
Cindy Turkle	Interim Director	Indefinite

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 Statement

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, 2014, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2014, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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


Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2015 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 the 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

February 25, 2015

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, 2014. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2014 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts increased 7.4%, or approximately \$278,000, from fiscal year 2013 to fiscal year 2014.
- ◆ Operating disbursements decreased 16.7%, or approximately \$414,000, from fiscal year 2013 to fiscal year 2014.
- ◆ The Agency's cash balance increased 11.4%, or approximately \$775,000, from June 30, 2013 to June 30, 2014.

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 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 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 or 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, 2014 and June 30, 2013 is as follows:

	Changes in Cash Balance	
	Year ended June 30,	
	2014	2013
Operating receipts:		
Solid waste fees	\$ 3,567,519	3,239,902
Member assessments	322,139	319,748
Recycling sales	155,213	176,344
Miscellaneous	12,301	43,351
Total operating receipts	<u>4,057,172</u>	<u>3,779,345</u>
Operating disbursements:		
Salaries and benefits	784,697	915,291
Other	1,280,242	1,564,128
Total operating disbursements	<u>2,064,939</u>	<u>2,479,419</u>
Excess of operating receipts over operating disbursements	<u>1,992,233</u>	<u>1,299,926</u>
Non-operating receipts (disbursements):		
Interest on investments	9,264	2,093
Buy-in payments	96,546	98,784
Cell development	(622,597)	(995,694)
Capital Lease payments	(600,816)	(248,048)
Equipment	(74,602)	(54,000)
Leachate collection system	(25,272)	(5,994)
Net non-operating receipts (disbursements)	<u>(1,217,477)</u>	<u>(1,202,859)</u>
Change in cash balance	774,756	97,067
Cash balance beginning of year	6,790,985	6,693,918
Cash balance end of year	<u>\$ 7,565,741</u>	<u>6,790,985</u>
Cash Basis Fund Balance		
Restricted for:		
Closure	\$ 526,247	526,194
Postclosure care	3,680,380	3,678,395
DNR - recycle projects and landfill planning	150,227	71,140
Total restricted cash basis fund balance	<u>4,356,854</u>	<u>4,275,729</u>
Unrestricted	<u>3,208,887</u>	<u>2,515,256</u>
Total cash basis fund balance	<u>\$ 7,565,741</u>	<u>6,790,985</u>

In fiscal year 2014, operating receipts increased \$277,827, or 7.4%, over fiscal year 2013. The increase was primarily a result of solid waste fees increasing \$327,617. In fiscal year 2014, operating disbursements decreased \$414,480, or 16.7%, from fiscal year 2013. The decrease in operating disbursements was primarily due to decreased engineering costs associated with the cell development and decreased road maintenance costs. Non-operating disbursements increased slightly, from \$1,303,736 in fiscal year 2013 to \$1,323,287 in fiscal year 2014, due primarily to gravel hauling disbursements to haul gravel for a drainage layer project related to a new cell development at the landfill which was completed in fiscal year 2014.

A portion of the Agency's cash balance, \$4,206,627 (56%), 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, \$150,227 (2%) is restricted for special recycling projects and landfill planning and \$3,208,887 (42%) is unrestricted and can be used to meet the Agency's obligations as they come due. There was a slight increase in the restricted cash balance during the year for closure and postclosure care. The unrestricted cash balance increased \$693,631, or 28%, during the year.

LONG-TERM DEBT

The Agency's long-term debt at June 30, 2014 consisted of a capital lease purchase agreement with an outstanding principal balance of \$285,811.

Additional information on the Agency's long-term debt is presented in Note 7 to the financial statement.

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, 2014

Operating receipts:	
Solid waste fees	\$ 3,567,519
City member assessments	258,981
County member assessments	63,158
Recycling sales	155,213
Miscellaneous	12,301
Total operating receipts	<u>4,057,172</u>
Operating disbursements:	
Salaries and benefits	784,697
Department of Natural Resources tonnage fee	282,570
Equipment rental	1,145
Fuel	257,794
Consulting	155,674
Monitoring and inspection	21,169
Engineering	16,983
Equipment maintenance	124,799
Building maintenance	28,468
Supplies	14,759
Legal and professional fees	44,078
Office expense and postage	10,558
Utilities	32,128
Advertising	2,385
Insurance	168,550
Recycling	77,324
Miscellaneous	41,858
Total operating disbursements	<u>2,064,939</u>
Excess of operating receipts over operating disbursements	<u>1,992,233</u>
Non-operating receipts (disbursements):	
Interest on investments	9,264
Buy-in payments	96,546
Cell development	(622,597)
Capital lease purchase payments	(600,816)
Equipment	(74,602)
Leachate collection system	(25,272)
Net non-operating receipts	<u>(1,217,477)</u>
Change in cash balance	774,756
Cash balance beginning of year	6,790,985
Cash balance end of year	<u>\$ 7,565,741</u>
Cash Basis Fund Balance	
Restricted for:	
Closure	\$ 526,247
Postclosure care	3,680,380
DNR - recycling projects and landfill planning	150,227
Total restricted cash basis fund balance	<u>4,356,854</u>
Unrestricted	<u>3,208,887</u>
Total cash basis fund balance	<u>\$ 7,565,741</u>

See notes to financial statement.

North Central Iowa Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2014

(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. Cash Basis Fund Balance

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

The 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 \$6,733,513 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 5.95% of their annual salary and the Agency is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$49,511, \$56,724 and \$54,308, respectively, equal to the required contributions for each year.

(4) 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 \$821,900 for closure and \$1,500,000 for postclosure care, for a total of \$2,321,900 as of June 30, 2014. The estimated remaining life of the landfill is less than 1 year, with approximately 99% of the landfill's capacity used at June 30, 2014. The Agency expects to complete a new cell in September 2014. The new cell will add approximately three years to the remaining life of the landfill. 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 2014, assets of \$4,206,627 are restricted for these purposes, of which \$526,247 is for closure and \$3,680,380 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.

(5) 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, 2014, the unspent amount retained by the Commission and restricted for the required specific purposes totaled \$150,227.

(6) 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 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The 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, 2014 were \$35,930.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Commission's risk-sharing certificate, or in the event

a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

(7) Capital Lease Purchase Agreements

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

In September 2012, the Agency entered into a capital lease purchase agreement to purchase a crawler dozer. The agreement was for a period of four years at an interest rate of 3.50% per annum and was to mature in fiscal year 2017. During the year ended June 30, 2014 the Agency made the final payment of \$264,639 to retire the lease.

In September 2013, the Agency entered into a capital lease purchase agreement for an excavator. The agreement is interest free for a period of three and a half years expiring 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 agreement in effect at June 30, 2014:

Year Ending June 30,	Amount
2015	\$ 103,932
2016	103,932
2017	77,947
Present value of net minimum lease payments	<u>\$ 285,811</u>

Payments under capital lease purchase agreements totaled \$600,816 during the year ended June 30, 2014.

(8) 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, 2014 was \$9,100. This liability has been computed based on rates of pay in effect at June 30, 2014.

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, 2014 was \$1,600.

(9) Landfill Loss Contingency

The Iowa Department of Natural Resources (Department) has filed a recommendation with 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.

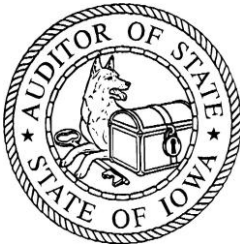
(10) Subsequent Event

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

(11) Prospective Accounting Change

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

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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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, 2014, and the related Notes to Financial Statement, and have issued our report thereon dated February 25, 2015. 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 a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the 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 deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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 (B) through (E) 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, 2014 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

February 25, 2015

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person had control over each of the following areas:
- (1) Accounting system –performing all general accounting functions and having custody of assets.
 - (2) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash.
 - (3) Receipts – opening mail, billing, collecting, depositing, posting and reconciling.
 - (4) Payroll – The same individual tracks compensated time balances with no corresponding independent review.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances. Currently available personnel or designated Board members should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of review.

Response – We are actively adding new procedures to provide additional internal controls. Gate attendants prepare their own deposit slips and an office employee deposits them in the bank. One office employee opens mail and prepares accounts receivable deposits and another enters the payments. One employee reconciles the bank statement and the Chair reviews and initials it. Three staff members review and initial all invoices prior to payment. Executive Board members also approve all disbursements and two or three Board members review each invoice before they sign the checks. We acknowledge these procedures were not in place prior to November 2013, but believe we have implemented significant internal controls since.

Although the Administrative Assistant does prepare the payroll summary for the third party to prepare the paychecks, the Operations Manager does first review all the employee time cards and approves the hours. The comp time of all staff will be tracked by the Administrative Assistant and reviewed by the Interim Director. We will continue to implement as many internal controls as possible with the current level of staff.

Conclusion – Response accepted.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2014

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

The Agency does not have written policies for:

- Passwords – including password privacy and confidentiality, requiring passwords to be changed at least 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.
- Logging off unattended computers.
- 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 plan should be developed and tested periodically.

Response - We are in the process of developing an accounting policy and procedures manual and will also develop a computer usage and disaster plan as a supplement to this manual.

Conclusion – Response accepted.

- (C) Bank Reconciliations – Reconciliations of book balances to the bank and cash balances were not reviewed by an independent individual.

Recommendations – To improve financial accountability and control, a reconciliation of the book balances to bank and cash balances should be reviewed by an independent individual. The review should be documented by the signature or initials of the reviewer and the date of the review. 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 – Since October 2013, the Chair of the Executive Board reviews and initials the bank statement and reconciliation each month. Both the front and backs of the checks are reviewed by staff and the Chair.

Conclusion – Response acknowledged. While the June 30, 2014 bank statement showed evidence of review, the account reconciliation showed no evidence of an independent review.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2014

- (D) Payroll – Documentation of authorized pay rates for certain employees could not be located.

Recommendation – The Agency should maintain supporting documentation for authorized pay rates.

Response – The Executive Board approves all employee pay raises. Documentation can be found in the meeting minutes. A listing of all wages and salaries is published in the local newspaper annually as required. We were not aware there was an additional requirement to have a list of pay rates approved by the Executive Board. Please provide additional information to meet this recommendation and we will be happy to add it to the list of documents to be approved.

Conclusion – Response acknowledged. The individual salaries and wages of all employees should be approved by the Agency and documented in the minutes record.

- (E) Accounting Policies and Procedures Manual – The Agency does not have a current comprehensive accounting policies and procedures manual.

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

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) 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 – Staff has begun drafting an accounting policies and procedures manual but has been unable to finalize it due to other pressing duties. The manual will be finalized in the next couple of months.

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, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.

The Agency’s entire 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. Additionally, the minutes did not reference the specific Code exemption as required by Chapter 21.5 of the Code of Iowa before going into closed session.

Recommendation – The Agency should identify and document in the minutes the number of votes for each representative present at the full Board meetings. In addition, the minutes should reference a specific code exemption as required before going into closed session.

Response – Agency Board meetings are attended by the Agency attorney. He counted and verified that a quorum was not present during the January 2014 Full Board meeting but that one was present during the February 2014 Full Board meeting. He tracked the vote counts and reviewed the meeting minutes. We were not aware the minutes of the meeting had to include the number of votes each representative was authorized to have. In the future, the votes will be reflected in the minutes.

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.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2014

- (6) 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:

	Closure	Postclosure	Total
Total estimated costs for closure and postclosure care at June 30, 2014	\$ 821,900	1,500,000	2,321,900
Amount Agency has restricted for closure and postclosure care at June 30, 2014	\$ 526,247	3,680,380	4,206,627

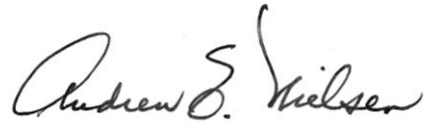
The Agency has demonstrated financial assurance for closure and postclosure care by depositing sufficient amounts in the dedicated fund.

North Central Iowa Regional Solid Waste Agency

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor II
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, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State