

PRAIRIE SOLID WASTE AGENCY

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

Year Ended June 30, 2008

PRAIRIE SOLID WASTE AGENCY
TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 7
FINANCIAL STATEMENT:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 8 - 9
Notes to Financial Statements	10 - 16
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	17 – 18
SCHEDULE OF FINDINGS	19 - 22

PRAIRIE SOLID WASTE AGENCY
OFFICIALS
June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ron Riley	Chairperson	Union County
Larry Wagner	Vice-Chairperson	City of Creston
Jeff Burger	Member	City of Afton
Gene Dunfee	Member	City of Arispe
Brian Campbell	Member	City of Cromwell
City Clerk	Member	City of Lorimor
Ardis Myers	Member	City of Macksburg
Terry Gilbert	Member	City of Shannon City
City Clerk	Member	City of Thayer
Amy Schultes	Office Manager	

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Prairie Solid Waste Agency:

We have audited the accompanying financial statement of Prairie Solid Waste Agency as of and for the year ended June 30, 2008. This financial statement is the responsibility of Agency'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 Prairie Solid Waste Agency as of June 30, 2008, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2009, on our consideration of Prairie 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 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.

To the Members of
Prairie Solid Waste Agency
City of Afton

Management's Discussion and Analysis is on pages 4 through 7 and is not a required part of the financial statements, 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.

D. Napier, Smolgrass, Mickelson + Co., P.C.

April 7, 2009

PRAIRIE SOLID WASTE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Prairie 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 Prairie Solid Waste Agency (PSWA) is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Agency's financial statement which follows.

2008 FINANCIAL HIGHLIGHTS

- Operating receipts decreased 1%, or approximately \$12,500, from fiscal 2007 to fiscal 2008.
- Operating disbursements increased 41%, or approximately \$270,000, from fiscal 2007 to fiscal 2008.

USING THIS ANNUAL REPORT

PSWA has elected to present its financial statement on a 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 Agency's 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 this 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, the reader 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 the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the PSWA. 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 PSWA's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets – Cash Basis presents information on the PSWA's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements 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 Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by PSWA, both operating and non-operating. The statement also presents a fiscal snapshot of the Agency's cash balance at year end. Over time, readers of the financial statement are able to determine the PSWA'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 PSWA. Operating disbursements are disbursements paid to operate the landfill and transfer station. Non-operating receipts and disbursements are for interest on investments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2007 and June 30, 2008 are presented below:

	<u>Changes in Cash Basis Net Assets</u>	
	Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Operating receipts:		
Solid waste fees	\$ 921,371	\$ 857,309
City assessments	63,640	63,685
Recycling grants	26,434	116,328
Recycling sales	18,125	11,649
Miscellaneous	<u>7,250</u>	<u>357</u>
Total operating receipts	<u>\$ 1,036,820</u>	<u>\$ 1,049,328</u>
Operating disbursements:		
Salaries and benefits	\$ 87,921	\$ 47,148
Solid waste contractor	92,515	272,228
Solid waste fees	144,144	---
Transportation/operating fees	263,577	---
Iowa Department of Natural Resources tonnage fee	38,001	30,265
Other	<u>306,289</u>	<u>311,926</u>
Total operating disbursements	<u>\$ 932,447</u>	<u>\$ 661,567</u>
Excess of operating receipts over operating disbursements	<u>\$ 104,373</u>	<u>\$ 387,761</u>

Non-operating receipts (disbursements):		
Interest on investments	\$ 56,364	\$ 53,409
Recycling collection center equipment	(371)	(16,544)
Building and grounds	(1,194,890)	(162,066)
Bond proceeds	1,489,062	---
Debt service payments	(108,383)	---
Net non-operating receipts (disbursements)	<u>\$ 241,782</u>	<u>\$ (125,201)</u>
Net change in cash basis net assets	\$ 346,155	\$ 262,560
Cash basis net assets, beginning of year	<u>1,415,949</u>	<u>1,153,389</u>
Cash basis net assets, end of year	<u>\$ 1,762,104</u>	<u>\$ 1,415,949</u>
Cash basis net assets:		
Restricted for:		
Closure	\$ 296,001	\$ 252,448
Post closure	713,859	470,301
Debt service	20,881	---
Transfer station	<u>185,645</u>	<u>---</u>
Total restricted net assets	\$ 1,216,386	\$ 722,749
Unrestricted	<u>545,718</u>	<u>693,200</u>
Total cash basis net assets	<u>\$ 1,762,104</u>	<u>\$ 1,415,949</u>

In fiscal 2008, operating receipts decreased by \$12,500, or 1%, over fiscal 2007. The decrease was primarily a result of increased tonnage in 2007 we received from the hail storm that went through in May. There were several homes and businesses that needed to be re-shingled and sided.

In fiscal 2008, operating disbursements increased by 41% or \$270,000, from fiscal 2007. This increase was caused by switching from a landfill to a transfer station and the construction and equipping of the transfer station.

LONG-TERM DEBT

PSWA has a 20-year bond payment for the construction of our new transfer station. Bonds were issued during fiscal year 2008 in the amount of \$1,500,000. The balance due on the notes at June 20, 2008 is \$1,450,000.

ECONOMIC FACTORS

- The landfill was closed September 30, 2007. We started using the transfer station October 1, 2007.

- Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to the postclosure account based on constantly changing cost estimates.

The Agency anticipates the current fiscal year will be another one of transition as the Agency 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, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Prairie Solid Waste Agency, PO Box 227, Creston, IA 50801.

FINANCIAL STATEMENT

PRAIRIE SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS NET ASSETS
For the Year Ended June 30, 2008

OPERATING RECEIPTS:	
Solid waste fees	\$ 921,371
City assessments	63,640
Recycling grants	26,434
Recycling sales	18,125
Miscellaneous	7,250
TOTAL OPERATING RECEIPTS	<u>\$ 1,036,820</u>
OPERATING DISBURSEMENTS:	
Salaries and benefits	\$ 87,921
Solid waste contractor	92,515
Solid waste fees	144,144
Transportation/operating fees	263,577
Iowa Department of Natural Resources tonnage fee	38,001
Regulatory assistance/engineering	89,854
Recycling	82,029
Equipment maintenance	11,274
Ground water monitoring/inspecting	42,824
Road gravel	4,640
Legal, accounting and auditing	24,012
Office equipment and supplies	4,469
Utilities	11,487
Insurance	18,276
Land rent	4,900
Miscellaneous	12,524
TOTAL OPERATING DISBURSEMENTS	<u>\$ 932,447</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>\$ 104,373</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Interest on investments	\$ 56,364
Recycling collection center equipment	(371)
Building and grounds	(1,194,890)
Bond proceeds	1,489,062
Debt service payments	(108,383)
TOTAL NON-OPERATING RECEIPTS	<u>\$ 241,782</u>

The Notes to Financial Statements are an integral part of this statement.

PRAIRIE SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS NET ASSETS
For the Year Ended June 30, 2008

CHANGE IN CASH BASIS NET ASSETS	\$ 346,155
Cash basis net assets, beginning of year	<u>1,415,949</u>
Cash basis net assets, end of year	<u><u>\$ 1,762,104</u></u>
CASH BASIS NET ASSETS:	
Restricted for:	
Closure	\$ 296,001
Postclosure care	713,859
Debt service	20,881
Transfer station	<u>185,645</u>
Total restricted net assets	<u>\$ 1,216,386</u>
Unrestricted	<u>545,718</u>
TOTAL CASH BASIS NET ASSETS	<u><u>\$ 1,762,104</u></u>

The Notes to Financial Statements are an integral part of this statement.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1. Summary of Significant Accounting Policies

The Prairie Solid Waste Agency, formerly the Union County Solid Waste Management Commission, was formed in 1973 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 Union 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. The members of the Agency include Union County and the cities of Afton, Arispe, Creston, Cromwell, Kent, Lorimor, Macksburg, Shannon City and Thayer. Each member of the Agency has one vote, except for Union County and the City of Creston, which each have six votes. Currently, the Agency contracts for landfill operations.

Reporting Entity

For financial reporting purposes, the Prairie 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 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 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.

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.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The Prairie Solid Waste 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.

Restricted Cash Basis Net Assets

Funds set aside for payment of closure and postclosure care costs, transfer station costs, and debt service requirement are classified as restricted.

Note 2. Cash and Investments

The Agency's deposits in banks at June 30, 2008, 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 Association; 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's had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 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 3.90% of their annual salary and the Agency is required to contribute 6.05% of annual covered payroll. The Agency's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006, were \$4,397, \$2,167, and \$2,266 respectively, equal to the required contributions for the year.

Note 4. Closure and Postclosure Care

Landfill

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan 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) requirement 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.

Government Accounting Standards Board Statement No. 18 required 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.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 4. Closure and Postclosure Care (continued)

Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Prairie Solid Waste Agency have been estimated to be \$295,994 for closure and \$713,577 for postclosure care, for a total of \$1,009,571. During the year ended June 30, 2008, the Agency stopped accepting waste at the landfill and began transferring waste to Metro Waste Authority.

Chapter 455B.306(8)(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 Prairie Solid Waste Agency has begun to accumulate resources to fund these costs and, at June 30, 2008, assets of \$1,009,860 are restricted for these purposes, of which \$296,001 is for closure and \$713,859 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.

Chapter 567-113.14 of the Iowa Administrative Code requires entities to demonstrate financial assurance for unfunded closure and postclosure care costs. Since the Commission's closure and postclosure care costs are fully funded at June 30, 2008, the Commission is not required to demonstrate financial assurance.

Transfer Station

To comply with state regulations, the Agency 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 Agency is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit transfer station 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 Agency as of June 30, 2008 have been estimated at \$19,490. The Agency had not funded the costs at June 30, 2008, however, did approve funding the costs by \$22,085 prior to January 31, 2009.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 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, 2008, the Agency had no unspent tonnage fees.

Note 6. Risk Management

The Prairie Solid Waste Agency is exposed to various risks of loss related to torts, theft, and damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Contracts

Landfill Operations Contract

The Prairie Solid Waste Agency has entered into a contract with Union County Management Services, Inc. for the operation of the landfill before converting to a transfer station. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules, and regulations. The contractor is to furnish all labor, tools and equipment necessary for operation, except for recycling responsibilities. For these services, the operator was paid \$92,515 during the year ended June 30, 2008.

Solid Waste Disposal Agreement

The Agency entered into an agreement with Metro Waste Authority for the acceptance of solid waste from the Agency for \$15.12 per ton. The agreement is in effect from October 1, 2007 to September 30, 2012. During the year ended June 30, 2008, the Agency paid \$144,144 under the agreement.

Transportation and Operations Agreement

The Agency entered into an agreement with Brian Gay Construction for the operation of the transfer station and the transportation of solid waste to Metro Waste Authority. The agreement for the operations is in effect from January 1, 2008 through June 30, 2013 and the contractor is paid \$5,000 per month for the service. The agreement for the transportation of the solid waste is for \$25 per ton plus adjustments for changes in fuel prices and is in effect from January 1, 2008 through June 30, 2013. During the year ended June 20, 2008, the Agency paid the contractor \$263,577 under the contract.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 7. Contracts (continued)

Landfill Closure Agreement

The Agency entered into an agreement with a contractor for the closure activities of the landfill \$273,044.

Note 8. Compensated Absences

Agency 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 Agency until used or paid. The Agency's approximate liability for earned vacation payments at June 30, 2008 was \$3,107. The liability has been computed based on rates of pay in effect at June 30, 2008.

Note 9. Major Customer

A material part of the Agency's business is dependent upon one customer, the loss of which could have a materially adverse effect on the Agency's revenues. During the year ended June 30, 2008, this customer accounted for approximately 60% of the tipping fees.

Note 10. Lease Agreement

The Agency has entered into a lease agreement with Union County for its landfill and transfer station site for \$4,900 annual lease payments. The lease is self-renewing for twelve month periods unless written notice is given by either party within 180 days of the end of a fiscal year.

Note 11. Bonds Payable

On July 24, 2007, the Agency entered into a note agreement for the issuance of Solid Waste Disposal Revenue Bonds for the construction of a transfer station in the amount of \$1,500,000 and the notes have interest rates of 4.10% to 4.375%. Interest payments are due May 25 and November 25. Principal payments are due May 25. The balance at June 30, 2008, is \$1,450,000.

A summary of the Agency's June 30, 2008, revenue bonds is as follows:

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 11. Bonds Payable (continued)

Year ending <u>June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 50,000	\$ 61,204
2010	55,000	59,160
2011	55,000	56,899
2012	60,000	54,644
2013	60,000	52,184
2014-2018	345,000	221,249
2019-2023	415,000	143,881
2024-2027	<u>410,000</u>	<u>45,866</u>
Totals	<u>\$1,450,000</u>	<u>\$695,087</u>

Interest expense for the year ended June 30, 2008, was \$57,983.

Revenue Bonds:

The resolution providing for the issuance of the revenue bonds include the following provisions:

- a. That the bonds will be redeemed from the future net earnings of the Agency and that the bondholders hold a lien against future earnings of the funds.
- b. That sufficient monthly cash transfers shall be made to a separate sinking fund restricted for the purpose of making bond interest and principal payments when due.

As of June 30, 2008, transfers have been made in amounts adequate on a cumulative basis, to meet the foregoing requirements, and the Agency complied with the provisions.

The Agency is required to set aside in a sinking fund the amounts needed to meet the principal and interest payments annually for all the revenue bonds. The next five years sinking fund requirements are as follows:

Year Ending <u>June 30,</u>	
2009	\$111,204
2010	114,160
2011	111,899
2012	114,644
2013	112,184

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of Prairie Solid Waste Agency:

We have audited the financial statements of the business-type activities of Prairie Solid Waste Agency, as of and for the year ended June 30, 2008, which collectively comprise the Prairie Solid Waste Agency's basic financial statements and have issued our report thereon dated April 7, 2009. Our report expressed an unqualified opinion on the financial statements which were 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 Prairie Solid Waste Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie Solid Waste Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prairie Solid Waste Agency'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 discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Prairie Solid Waste Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Prairie Solid Waste Agency's financial statements that is more than inconsequential will not be prevented or detected by Prairie Solid Waste Agency's internal control. We consider the deficiencies 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 results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Prairie Solid Waste Agency'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 also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prairie Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and 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, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements 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.

We noted certain matters that we reported to management of Prairie Solid Waste Agency in a separate letter dated April 7, 2009.

Prairie Solid Waste Agency's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Prairie Solid Waste Agency's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the management, the audit committee, Board Members, other parties to whom Prairie Solid Waste Agency may report and is not intended to be and should not be used by anyone other than these specified parties.

Drapen, Smidgrass, Mickelson + Co., P.C.

April 7, 2009

PRAIRIE SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

REPORTABLE CONDITION

2008-I-A Segregation of duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of the aspects of accounting internal controls which rely on adequate segregation of duties, for all reasonable purposes, are missing in the Agency.

Recommendation: We realize that it may not be economically feasible for Prairie Solid Waste Agency to employ additional personnel for the sole purpose of segregating duties, however, we feel it is our professional responsibility to bring the control deficiency to your attention. We would recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the Agency.

Response and corrective action planned: The Agency will segregate duties to the extent possible with the current number of employees. Additional review of the financial information will be performed by the Board to ensure transactions and duties are being performed in accordance with the procedures established by the Board.

Conclusion: Response accepted.

2008-I-B Recording of Revenues: During our audit procedures, we became aware of several revenue transactions for June receipts that were not properly posted to revenue for the correct period and were posted in the July 2008 revenues. These receipts were for gate fees that were received and deposited for June 2008.

Recommendations: We understand that the County is contracted to perform the accounting functions for the Agency. However, the Agency should be monitoring the reports received to ensure that all receipts and other revenues are all properly and timely posted to the proper accounts each month. We would recommend that the Agency establish procedures to monitor the accounting function being contracted to ensure that all deposits are properly made and recorded to the proper periods for the Agency and to reconcile the monthly reports received.

Response and Corrective Action Planned: The Agency will take daily deposits to the Treasurer's office to ensure receipts and revenues are deposited in a timely manner. The Treasurer will provide the Agency with a copy of the monthly bank statements to make sure deposits are made and recorded to the proper periods and reconcile the monthly reports.

Conclusion: Response acknowledged.

OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

2008-II-1 Questionable Disbursements: No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

2008-II-2 Travel Expense: No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

2008-II-3 Agency Minutes: No transactions were found that we believe should have been approved in the Agency minutes but were not.

Although minutes of Agency proceedings were published, they did not include a schedule of bills allowed as required by Chapter 28E.6 of the Code of Iowa.

The Agency also did not publish annual salaries of employees as required by Chapter 28E.6 of the Code of Iowa.

Recommendation: The Agency should comply with Chapter 28E.6 of the Code of Iowa and should publish minutes and annual salaries as required.

Response: The Agency will include the monthly claims in meeting minutes. Union County is contracted to perform our payroll and includes our Agency's employees' salaries with their publications. In the future, we will publish our claims and employees' salaries in our minutes.

Conclusion: Response acknowledged.

2008-II-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 commission's investment policy were noted.

2008-II-5 Solid Waste Tonnage Fees Retained: During the year ended June 30, 2008, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.

2008-II-6 Financial Assurance: The Agency has demonstrated financial assurance for closure and post closure costs by establishing a local government dedicated fund Chapter 567-113.14(6) of the Iowa Administrative Code respectively. The calculation is made as follows:

	Closure	Post Closure	Transfer Station
Total estimated costs	\$ 295,994	\$ 713,577	\$ 19,490
Balance in dedicated accounts 6/30/2007	252,448	470,301	-
	<u>\$ 43,546</u>	<u>\$ 243,276</u>	<u>\$ 19,490</u>
Years remaining in pay-in period	1	1	1
Requirement to dedicated accounts 6/30/2008	\$ 43,546	\$ 243,276	\$ 19,490
Balance in dedicated accounts 6/30/2008	252,448	470,301	-
Required balance in dedicated accounts 6/3/2008	<u>\$ 295,994</u>	<u>\$ 713,577</u>	<u>\$ 19,490</u>
Agency dedicated accounts at 6/30/2008	\$ 296,001	\$ 713,859	\$ -
Approved letter of credit	-	-	-
Agency dedicated accounts at 6/30/2008	<u>\$ 296,001</u>	<u>\$ 713,859</u>	<u>\$ -</u>
Excess (deficit)	<u>\$ 7</u>	<u>\$ 282</u>	<u>\$ (19,490)</u>

The transfer station amount is new as the station started operations during fiscal year 2008. The funding amount is required to be deposited by January 31, 2009 for the year. The Agency approved the funding amount of \$22,085 to this fund on January 9, 2009.

2008-II-7 Notice of Public Hearing for Public Improvements: The Agency did not publish a notice of public hearing on the Transfer Station project as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation: Before entering into a contract for a public improvement with an estimated total cost in excess of \$100,000, the Board should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response: The Agency was not aware of needing to have a public hearing for public improvement. If we were to have another improvement project, we will have a public hearing.

Conclusion: The Agency should be aware of Code requirements for any activity the Agency may be involved with and follow the requirements of the Iowa Code.

2008-II-8

Advertise for Bid for Public Improvements: The Agency did not advertise for bids on the Transfer Station project as required by Chapter 26.3 of the Code of Iowa.

Recommendation: Before entering into a contract for a public improvement with an estimated total cost in excess of \$100,000, the Board should advertise for sealed bids and publish notice at least four but not more than forty-five days before the date for filing bids.

Response: The Agency did go out for bids on the transfer station and can find the bid tabulation sheet for the four companies that bid. In the transition of the current manager to the former director we cannot find the public notification.

Conclusion: Response acknowledged. The Agency should keep all records of publication in a permanent record for any future reference and to support any publication requirements.

2008-II-9

Notice of Public Hearing for Issuance of Revenue Bonds: The Agency did not publish a notice of public hearing for the issuance of Revenue Bonds for the construction of the Transfer Station project as required by Chapter 75 of the Code of Iowa.

Recommendation: Before issuing revenue bonds the Board should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response: The Agency was not aware of needing to have a public hearing for the revenue bond. Union County is contracted to handle all accounting functions so the Union County Auditor and Speer Financial handled this for us. Union County published a notice of proposed action to institute proceedings to enter into a loan agreement in the principal amount of \$1,500,000.

Conclusion: The County issued its own General Obligation Bonds to loan the proceeds to the Agency through the Agency issued revenue bonds. The Agency is still required to follow the Code requirements for the issuance of revenue bonds and should follow these requirements.

DRAPER, SNODGRASS, MIKKELSEN & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

FAX (641) 782-8423

PHONE (641) 782-8421 — P.O. BOX 71

MEMBERS - IOWA SOCIETY OF CPAs
AMERICAN INSTITUTE OF CPAs

309 EAST MONTGOMERY STREET
CRESTON, IOWA 50801

April 7, 2009

To the Board of Directors
Prairie Solid Waste Agency
Creston, Iowa

In planning and performing our audit of the financial statements of the Prairie Solid Waste Agency, for the year ended June 30, 2008, in accordance with U.S. generally accepted auditing standards, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Draper, Snodgrass, Mikkelsen & Co., P.C.

Draper, Snodgrass, Mikkelsen & Co., P.C.

PRAIRIE SOLID WASTE AGENCY
MANAGEMENT LETTER MEMORANDUM

A. Update the Accounting Procedures Manual

We believe that a formal policies and procedures manual should be developed not only to establish more uniform and formal policies and procedures but also because it is more difficult to orally communicate policies and procedures to employees. This manual should address all aspects of the accounting and processing of the Agency's activities and should be updated as changes are made in computer programs or functions assigned to personnel or changes in personnel duties. Any changes made to the manual or to internal controls, should be documented and communicated on a regular basis to all affected persons. Internal controls cannot work unless employees are aware of them. Also, in order for management to monitor the applicability of the manual, we recommend that a signature and date be attached to each updated manual and a policy be established for its regular review and update.

B. Filing of Invoices

We noted that during our audit that the Board approved the payment of the agency bills at the monthly meetings and then these bills were paid by the County with Agency funds. However, the Agency does not retain any records of the invoices that are to be paid for the Agency's records. The original invoices are filed along with other claims paid by the County for that period. We would recommend that a record of the invoices approved by the Agency's Board be retained for their records at the Agency's office for reference as needed by the Agency.

C. Bank Accounts

Currently most of the bank accounts for the Agency are in names other than that of the Agency such as "Union County Treasurer" or "Union County Landfill". All of the bank accounts for the Agency should be in the name of the Agency to properly reflect the ownership of those accounts. We would recommend that the Agency contact the financial institutions holding the accounts and properly name the accounts in the Agency's name.

The County currently handles the accounting functions for the Agency and received all Agency bank statements as a result. However, Agency management does not receive a copy or the original of these statements. A copy of the funds balance for each month is provided to the Agency management only. We would recommend that the Agency management receive the bank statement information each month to ensure the proper accounting of the Agency funds.

The receipts for the Agency are currently deposited to the general bank account for the County during the month. Expenses are also paid from this account and then any remaining amounts are transferred the following month for the difference in the deposits and the payments. Since the County is only acting as an agent for the Agency, all of the Agency funds should be directly deposited and accounted for in a separate account for the Agency and not commingled with other County Funds. We would recommend that the revenues for the Agency be deposited to the operating account for the Agency rather than the general account for the County.

D. Scale Tickets and Deposits

Currently the scale tickets and receipts are only reconciled weekly and the receipts then deposited weekly or as needed due to large receipt days. We would recommend that the scale ticket are reconciled daily with the receipts for the day and then deposited daily to reduce the possibility of any loss of receipts.

E. Bank Transfers

Currently, bank transfers are occurring without the approval or possibly the knowledge of the Agency Board or management. We would recommend that before any transfers are made for the Agency, the Board approved such transfer to allow them to be able to properly monitor the funds of the Agency.

F. Entity Identification Numbers

The Agency is a legally separate entity and as such should have its own various identification numbers for various reporting requirements – i.e. payroll taxes. Currently the Agency is being reported under the name of Union County Landfill and an identification number that was assigned to it. We would recommend that Prairie Solid Waste Agency complete the proper request to obtain its own identification numbers for reporting of payroll, sales taxes, retirement, and any other that may be required.