

**NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY**

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

**JUNE 30, 2009**

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## North Central IA Regional Solid Waste Agency

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Lois Vanhorn	Chairperson	City of Vincent
Dan Payne	Executive Committee	City of Fort Dodge
Carl Halverson	Executive Committee	City of Eagle Grove
David Fierke	Executive Committee	City of Fort Dodge
Lorie Bennett	Executive Committee	City of Humboldt
Arlene Tille	Executive Committee	City of Rutland
Joe Gray	Executive Committee	City of Manson
Curt Olson	Executive Committee	City of Fort Dodge
Troy Hassebrook	Executive Committee	City of Blairsburg
Greg Wright	Executive Committee	City of Randall
Eddie Petersen	Executive Committee	Webster County
Meryl Loseke	Board Member	City of Badger
City Clerk	Board Member	City of Barnum
Henry Froisland	Board Member	City of Clare
Kenneth Pedersen	Board Member	City of Gowrie
Donna Brundage	Board Member	City of Harcourt
Brad Hoffman	Board Member	City of Moorland
Mark Groat	Board Member	City of Otho
David Lee	Board Member	City of Dakota City
Harlan Hanson	Board Member	Humboldt County
Jeff Crutcher	Board Member	City of Hardy
Marie Wilson	Board Member	City of Livermore
Frank Hacker	Board Member	City of Ottosen
John Hendricks	Board Member	City of Pioneer
Dick Sorenson	Board Member	City of Renwick
Joann Hendricks	Board Member	City of Rockwell City
Scott Burnett	Board Member	City of Duncombe
E. C. Nerem	Board Member	City of Thor
Joe Gray	Board Member	City of Pomeroy
Dale Graham	Board Member	City of Ellsworth
Mickey Walker	Board Member	City of Jewell
Lendall Mechaelsen	Board Member	City of Kamrar
Kempton Young	Board Member	City of Stanhope
Michael Nepereny	Board Member	City of Stratford
Eugene Gray	Board Member	City of Webster City
City Clerk	Board Member	City of Williams
Wesley Sweedler	Board Member	Hamilton County
City Clerk	Board Member	City of Callender
Larry Larson	Board Member	City of Lehigh
City Clerk	Board Member	City of Bradgate
Virginia Wright	Board Member	City of Gilmore City

**North Central IA Regional Solid Waste Agency**

**Officials - continued**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
City Clerk Joyce Gadbury	Board Member Board Member	City of Dayton City of Knierim
Gary Schmidt Deb Watson	Director Assistant Director	

North Central IA Regional Solid Waste Agency



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor's Report

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

We have audited the accompanying financial statement of the North Central IA Regional Solid Waste Agency as of and for the year ended June 30, 2009. This financial statement is the responsibility of the 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 North Central IA Regional Solid Waste Agency as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009 on our consideration of the North Central IA 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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 8 through 11 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

*T. P. Anderson & Company, P.C.*

December 8, 2009

**North Central IA Regional Solid Waste Agency**

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

The North Central IA 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 North Central IA Regional Solid Waste Agency is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

### **2009 FINANCIAL HIGHLIGHTS**

- ◆ Operating receipts increased 27%, or approximately \$567,000, from fiscal 2008 to fiscal 2009.
- ◆ Operating disbursements decreased 3%, or approximately \$69,000, from fiscal 2008 to fiscal 2009.
- ◆ The Webster County Solid Waste Commission agreed to contribute its remaining cash of \$435,920 during the 2009 fiscal year.
- ◆ Cash basis net assets increased 59%, or approximately \$1,268,000, from June 30, 2008 to June 30, 2009.

### **USING THIS ANNUAL REPORT**

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

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

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

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

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets 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.
- The 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 Basis Net Assets*

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

Operating receipts are received for gate fees from accepting solid waste 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 basis net assets for the years ended June 30, 2009 and June 30, 2008 are presented below:

	Changes in Cash Basis Net Assets	
	Year Ended June 30,	
	2009	2008
Operating receipts:		
Solid waste fees	2,149,017	1,776,931
Member assessments	341,539	75,558
Recycling sales	198,592	236,773
Miscellaneous	8,875	8,391
Total operating receipts	<u>2,698,023</u>	<u>2,130,653</u>
Operating disbursements:		
Salaries and wages	850,888	768,431
Equipment	2,500	441,950
Other	1,435,857	1,147,792
Total operating disbursements	<u>2,289,245</u>	<u>2,358,173</u>
(Deficiency) of operating receipts (under) operating disbursements	<u>408,778</u>	<u>(227,520)</u>
Non-operating receipts (disbursements):		
Interest on investments	30,827	74,191
Webster City Solid Waste Agency contribution	435,920	-
Buy-in payments	398,784	98,784
Leachate collection system construction	(6,175)	(1,254)
Building and grounds	-	-
Net non-operating receipts (disbursements)	<u>859,356</u>	<u>171,721</u>
Net change in cash basis net assets	1,268,134	(55,799)
Cash basis net assets beginning of year	<u>2,132,698</u>	<u>2,188,497</u>
Cash basis net assets end of year	<u><u>3,400,832</u></u>	<u><u>2,132,698</u></u>

### Cash Basis Net Assets

Restricted for:		
Closure	309,354	242,697
Postclosure	1,773,002	1,289,121
DNR – Recycle projects and landfill planning	205,161	290,174
Total restricted net assets	2,287,517	1,821,992
Unrestricted	1,113,315	310,706
Total cash basis net assets	3,400,832	2,132,698

In fiscal 2009, operating receipts increased by \$569,000, or 27%, over fiscal 2008. The increase was a result of a \$372,000 increase in solid waste fees, and a \$266,000 increase in member assessments. In fiscal 2009, operating disbursements decreased by \$69,000, or 3%, from fiscal 2008. The decrease in disbursements was primarily due to reduced equipment additions.

A portion of the Agency's net assets, \$2,082,356 (61%), 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. \$205,161 (6%) of the Agency's net assets is restricted for special recycling projects and landfill planning. The remaining net assets, \$1,113,315 (33%), are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets increased \$465,000, or 26%, during the year. The increase resulted from a \$531,610, which includes a \$100,000 repayment of the loan taken out in fiscal year 2008, to the closure/postclosure accounts along with DNR-Recycling Project set-asides. Unrestricted net assets increased \$803,000 during the year due primarily to increased member assessments and increase gate fee rates.

### LONG-TERM DEBT

At June 30, 2009, the Agency had no long term debt outstanding. The Agency does however have an obligation to increase the required annual deposits to the closure/postclosure accounts by \$100,000/year for the next four years. The second installment on this obligation was made in June 2009.

### ECONOMIC FACTORS

The cash basis financial position of the Agency improved in the current fiscal year as Hamilton County prepaid \$300,000 of the buy in fee and the Webster County Solid Waste Commission contributed \$435,920. The current condition of the economy in the state continues to be a concern for Agency officials.

- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- ◆ In Fiscal Year 2010, the Agency will have many decisions to make. Due to the volume of material being brought into the landfill, the current "cell" is anticipated to be full by the end of FY 2010. The DNR is requiring the Agency to build a new cell however and the new cell will be completed by September 1, 2010. The Agency's current cell uses a clay liner which is much less expensive than synthetic liners. An application has been made to the DNR for permission to install a clay liner in the new cell instead of a synthetic liner (required by new regulations). The Agency has not received a reply from the DNR regarding the application.
- ◆ The requirement to use a synthetic liner increases the projected cost of the new cell. The Agency's board raised city assessments in fiscal year 2009. The board is also

considering revenue bonds to finance the cost of the new cell. In order to obtain the revenue bond financing, the bonding company will require a fee structure sufficient to cover the payback of the bonds plus interest.

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, taxpayers, 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 IA Regional Solid Waste Agency, 2150 South 2150 South 22<sup>nd</sup> St., Fort Dodge, IA 50501.

**North Central IA Regional Solid Waste Agency**

## **Financial Statement**

**EXHIBIT A**North Central IA Regional Solid Waste Agency  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets

Year ended June 30, 2009

Operating Receipts:	
Solid waste fees	\$ 2,149,017
Member assessments	341,539
Recycling sales	198,592
Miscellaneous	8,875
Total operating receipts	<u>2,698,023</u>
Operating disbursements:	
Salaries and benefits	850,888
Equipment replacement	2,500
Iowa Department of Natural Resources tonnage fee	228,830
Equipment rental	69,500
Fuel	335,238
Monitoring and inspection	140,812
Equipment maintenance	214,501
Building maintenance	8,806
Supplies	27,128
Legal and professional fees	8,618
Office expense and postage	11,116
Utilities	20,569
Advertising	9,121
Road Maintenance	32,687
Insurance	64,573
Miscellaneous	264,359
Total operating disbursements	<u>2,289,245</u>
Excess of operating receipts over operating disbursements	408,778
Non-operating receipts (disbursements)	
Interest on investments	30,827
Webster County Solid Waste Commission contribution	435,920
Buy-in payments	398,784
Leachate collection system construction	(6,176)
Net Non-operating receipts (disbursements)	<u>859,356</u>
Net change in cash basis net assets	1,268,134
Cash basis net assets, beginning of year	<u>2,132,698</u>
Cash basis net assets, end of year	<u>\$ 3,400,832</u>
See notes to the financial statement	

**EXHIBIT A**

North Central IA Regional Solid Waste Agency  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets  
Year ended June 30, 2009

## Cash Basis Net Assets

## Restricted For:

Closure	\$ 309,354
Postclosure Care	1,773,002
DNR - Recycle projects and landfill planning	<u>205,161</u>
Total restricted net assets	<u>2,287,517</u>
Unrestricted	<u>1,113,315</u>
Total cash basis net assets	<u><u>\$ 3,400,832</u></u>

North Central IA Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2009

**(1) Summary of Significant Accounting Policies**

The North Central IA 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. The members of the Agency include Webster, Hamilton, and Humboldt Counties and the cities of Badger, Barnum, Bradgate, Callendar, Clare, Dakota City, Dayton, Duncombe, Eagle Grove, Fort Dodge, Gilmore City, Gowrie, Harcourt, Hardy, Humboldt, Knierim, Lehigh, Livermore, Manson, Moorland, Otho, Ottosen, Pioneer, Pomeroy, Renwick, Rockwell City, Rutland, Thor, Vincent, Blairsburg, Ellsworth, Jewell, Kamrar, Randall, Stanhope, Stratford, Webster City, and Williams.

A. Reporting Entity

For financial reporting purposes, the North Central IA 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.

North Central IA Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2009

C. Basis of Accounting

The North Central IA Regional 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.

D. Net Assets

Funds set aside for payment of closure, postclosure care, special recycling projects, and landfill planning are classified as restricted.

**(2) Cash and Investments**

The Agency's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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 (IPAIT) which are valued at an amortized cost of \$3,174,920 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in IPAIT represents 93% of the Agency's cash basis net assets.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The Agency places no limit on the amount that may be invested in any one issuer.

North Central IA Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2009

**(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 4.1% of their annual salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$38,928, \$33,455 and \$30,830, 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 that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

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

North Central IA Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2009

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 \$437,460 for closure and \$3,220,800 for postclosure, for a total of \$3,658,260 as of June 30, 2009. The estimated remaining life of the landfill is 16 years, with approximately 69% of the landfill's capacity used at June 30, 2009.

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 Agency has begun to accumulate resources to fund these costs and, at June 30 2009, assets of \$2,082,356 are restricted for these purposes, of which \$309,354 is for closure and \$1,773,002 is for postclosure care. They are reported as restricted cash basis net assets on the Statement of Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-111.14 of the IAC, since 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 567-111.14(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.

North Central IA Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2009

**(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, 2009, the unspent amounts retained by the Agency and restricted for the required purposes are as follows:

Special account – DNR – Landfill planning	\$169,411
Special account – DNR – Recycling	<u>35,720</u>
	<u>205,161</u>

**(6) Risk Management**

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

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

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member 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 annual contributions to the Pool for the year ended June 30, 2009 were \$39,052.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members

North Central IA Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2009

requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

**(7) 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, 2009 was \$23,509. This liability has been computed based on rates of pay in effect at June 30, 2009.

**(8) Bartering**

During the year ended June 30, 2009, the Agency bartered royalty fees, gate fees, and fuel and oil costs. The Agency's bartering yielded \$29,578 in dirt moving service in exchange for \$29,578 in royalty fees.

**(9) Use of Postclosure Funds**

During the year ended June 30, 2008, the Agency received authorization from the Department of Natural Resources Solid Waste Planning department to transfer \$500,000 from the postclosure account for the purpose of developing a new landfill disposal cell. The Agency repaid \$100,000 of this amount by the close of the current fiscal year. Additional repayments of \$100,000 are required to be made by June 30 over the next four fiscal years. The final deposit is required to be made no later than June 30, 2012.

North Central IA Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2009

**(10) Webster County Solid Waste Commission**

The Webster County Solid Waste Commission realized during the year ended June 30, 2009 that with no land owned by the Commission anymore, there was no need to maintain a cash balance. The Commission decided therefore to contribute their remaining cash to the North Central Iowa Regional Solid Waste Agency. This contribution was for \$435,920.



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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 Financial Statements Performed in Accordance with *Government Auditing Standards*

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

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, 2009, and have issued our report thereon dated December 8, 2009. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 and to be material weaknesses.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the 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, of the significant control deficiencies described above, we believe Items II-A-09 and II-B-09, are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 that 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, 2009 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 Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the North Central IA Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the North Central IA 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.

*T.P. Anderson & Company, P.C.*

December 8, 2009

North Central IA Regional Solid Waste Agency

Schedule of Findings

June 30, 2009

**Findings Related to the Financial Statement:**

**REPORTABLE CONDITIONS:**

(II-A-09) 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 has primary control over substantially all of the accounting duties.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We believe that we are close to achieving the maximum degree of separation of duties possible with the limited number of office staff. We will review our current procedures and consider new procedures to obtain the maximum segregation of duties possible.

Conclusion – Response accepted.

(II-B-09) Barter Transactions –During fieldwork procedures, we noted that from bartering had been used to obtain certain services from a certain vender.

Recommendation – The Agency accounts for agency transactions using the cash receipts and disbursements method of accounting. In order to accurately reflect all cash transactions incurred during the year, checks should be issued for goods, services, and improvements received by the Agency. In connections with paying for all goods, services, improvements received, the Agency should bill for, collect, and deposit all revenues earned whether it come from royalties, gate fees, or rent.

Response –We have received value and given fair value for all bartering we have entered into. We have however discontinued the policy of bartering for certain services in accordance with your recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Other Findings Related to Required Statutory Reporting:**

- (III-A-09) 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.
- (III-B-09) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (III-C-09) Agency Minutes – No transactions were found that we believe that should have been approved in the Agency minutes but were not.
- (III-D-09) 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 Commissions written investment policy.
- (III-E-09) Solid Waste Fees Retainage – During the year ended June 30, 2009, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (III-F-09) 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 estimated costs for closure and postclosure care	\$ 437,460	3,220,800
Less: Balance of funds held in the local dedicated fund at June 30, 2008	242,697	1,289,121
	194,763	1,931,679
Divided by the number of years remaining in the pay-in-period	÷ 4	÷ 4
Required payment into the local dedicated fund for the year ended June 30, 2009	48,691	482,920
Balance of funds held in the local dedicated fund at June 30, 2008	242,697	1,289,121
Balance of funds required to be held in the local dedicated fund at June 30, 2009	\$ 291,388	1,772,041
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2008	\$ 309,354	1,773,003**

\*\* - This account is due to receive \$300,000 over the next four years in order to recoup the loan made to the general operating account during FY 2008. The amount receivable from the loan is not included in this figure.

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure accounts be made at least

yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit was made June 30, 2008.

Recommendation – The Agency should demonstrate financial assurance by designating amounts sufficient to comply with the Iowa Administrative Code requirements. In addition, the Agency should ensure deposits are made within 30 days of the fiscal year end to comply with Iowa Department of Natural Resources rules and regulations.

The Agency should continue to repay the postclosure account in accordance with the agreement reached with the Iowa Department of Natural Resources.

Response – The North Central IA Regional Solid Waste Agency has our engineering consultants do the estimates for financial assurance. We will continue to deposit the required amounts to the closure and post-closure accounts in accordance with our engineer’s recommendation.

Conclusion – Response accepted.

(III-G-09) Public Improvements – The Agency paid a local excavator approximately \$223,000 during fiscal year 2009 to move dirt in preparation for the construction of a new cell at the landfill.

Recommendation – Chapters 26.2 through 26.13 of the Iowa Code require that public hearings be held and competitive bids be sought for public improvement projects with costs that exceed \$100,000. You should consult with you attorney to determine how to resolve this issue.

You should also discontinue any further construction on the new cell until the appropriate public hearings are held and competitive bids received.

Response – We will consult our attorney and hold the appropriate hearings and obtain competitive quotes for our cell construction.

Conclusion – Response accepted.