WOODBURY COUNTY AREA SOLID WASTE AGENCY

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

JUNE 30, 2010

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WOODBURY COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

Name	Title	Representing
Gary Merkel	Chairperson	City of Cushing
Max Dunnington	Vice-Chairperson	City of Pierson
Jerry Hyler	Member	City of Correctionville
Dale Petersen	Member	City of Sergeant Bluff
Dave Amick	Member	City of Bronson
Sonya Sherrill	Member	City of Danbury
Jeff Nitzschke	Member	City of Lawton
Al Wingert	Member	City of Moville
Dave Dorale	Member	City of Oto
Linda Cox	Member	City of Salix
Darrell Iverson	Member	City of Sloan
Jim Kelsheimer	Member	City of Anthon
Jackie Smith	Member	Woodbury County
Mark Monson	Member	Woodbury County
Nancy Hone	Secretary/Manager	

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Members of Woodbury
County Area Solid Waste Agency

We have audited the accompanying financial statement of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2010. 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 that 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 Woodbury County Area Solid Waste Agency as of June 30, 2010, 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 February 28, 2011, on our consideration of Woodbury County Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 7 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.

February 28, 2011

Hunzelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodbury County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of Woodbury County Area Solid Waste Agency is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2010 FINANCIAL HIGHLIGHTS

Operating receipts increased 1%, or approximately $6,000, from fiscal 2009 to fiscal 2010.

Operating disbursements increased approximately $11,000, or 2%, from fiscal 2009 to fiscal 2010.

Cash basis net assets decreased 3%, or approximately $15,000, from June 30, 2009, to June 30, 2010.

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 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, 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 the 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 provides 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 debt service principal and interest payments. A summary of cash receipts, disbursements, and changes in cash basis net assets for the years ended June 30, 2010, and June 30, 2009, is presented below:

Changes in Cash Basis Net Assets

	Year Ended June 30, 2010	Year Ended June 30, 2009
Operating receipts:		
City and County assessments	$ 386,932	$ 386,146
User fees and gate receipts	307,816	288,773
Recyclable receipts	44,085	41,627
Salvage receipts	10,681	10,810
Rent	1,000	7,427
Miscellaneous	928	10,638
Total operating receipts	751,442	745,421
Operating disbursements:		
Salaries and benefits	302,647	324,925
Garbage hauling	282,909	237,714
Fuel, oil, and lubricants	16,507	18,126
Operating supplies and repairs	24,275	29,281
Engineering and testing services	21,021	30,653
Insurance	32,625	23,474
Other	36,680	41,628
Total operating disbursements	716,664	705,801
Excess of operating receipts over operating disbursements	34,778	39,620
Nonoperating receipts (disbursements):		
Interest on investments	12,964	11,585
Sale of equipment	-	90,000
Grant proceeds	-	132,500
Capital improvements/equipment purchases	(15,822)	(187,374)
Closure costs	-	(16,325)
Debt service	(47,287)	(48,287)
Net non-operating disbursements	(50,145)	(17,901)
Net change in cash basis net assets	(15,367)	21,719
Cash basis net assets, beginning of year	507,296	485,577
Cash basis net assets, end of year	$ 491,929	$ 507,296

FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

Cash Basis Net Assets		
Restricted for:		
Postclosure	$ 401,240	$ 351,300
Transfer station closure	22,209	22,209
Total restricted net assets	423,449	373,509
Unrestricted	68,480	133,787
Total cash basis net assets	$ 491,929	$ 507,296

In fiscal 2010, operating receipts increased by $6,000, or 1%. This increase in receipts was primarily because of the increased traffic of the public coming to the transfer station.

In fiscal 2010, operating disbursements increased by $11,000, or 2%, from fiscal 2009. This net increase in disbursements was primarily due to a decrease in payroll and an increase in the tons of garbage from the past year from the public. Also, there was an increase from L.P. Gill to transfer the garbage.

A portion of the Agency's net assets, $423,449 (86%), 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. The remaining net assets, $68,480 (14%), are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets increased $49,940, or 13%, during the year due to the updated costs to close and monitor the landfill. Unrestricted net assets decreased $65,307, or 49%, from 2009.

LONG-TERM DEBT

At June 30, 2010, the Agency had $48,060 of debt outstanding compared to $90,844 in 2009. See Note 3 for additional details.

ECONOMIC FACTORS

The financial position of the Agency did not improve in the current fiscal year as accelerated debt payments and equipment purchases decreased net assets. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities which may potentially become challenges for the Agency to meet are:

Facilities require constant maintenance and upkeep.

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 closure and postclosure accounts are based on constantly changing cost estimates.

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 the Agency's 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 there are questions about this report or a need for additional financial information, contact Woodbury County Area Solid Waste Agency, 200 Ida Avenue, Moville, Iowa.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS NET ASSETS
YEAR ENDED JUNE 30, 2010

Exhibit A

Operating receipts:	
City and County assessments	$ 386,932
User fees and gate receipts	307,816
Recyclable receipts	44,085
Salvage receipts	10,681
Rent	1,000
Miscellaneous	928
Total operating receipts	751,442
Operating disbursements:	
Salaries and benefits	302,647
Fuel, oil, and lubricants	16,507
Operating supplies and repairs	24,275
Office supplies	5,651
Telephone	3,100
Utilities	8,392
Travel and continuing education	2,561
Insurance	32,625
Engineering and testing services	21,021
Accounting and legal	3,100
License and permits	256
Garbage hauling	282,909
Tire disposal	5,649
Recycle processing and disposal	7,119
Miscellaneous	852
Total operating disbursements	716,664
Excess of operating receipts over operating disbursements	34,778
Nonoperating receipts (disbursements):	
Interest on investments	12,964
Capital improvements/equipment purchases	(15,822)
Debt service	(47,287)
Net nonoperating disbursements	(50,145)
Net change in cash basis net assets	(15,367)
Cash basis net assets, beginning of year	507,296
Cash basis net assets, end of year	$ 491,929
Cash Basis Net Assets	
Restricted for:	
Postclosure	$ 401,240
Transfer station closure	22,209
Total restricted net assets	423,449
Unrestricted	68,480
Total cash basis net assets	$ 491,929

See notes to financial statement.

1. Summary of Significant Accounting Policies

Woodbury County Area Solid Waste Agency was formed 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 Woodbury 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 of the twelve member cities and two representatives from Woodbury County. The representatives are appointed by the participating political subdivisions and each has one vote.

A. Reporting Entity

For financial reporting purposes, Woodbury County Area Solid Waste Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

Woodbury County Area 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 transfer station closure and landfill postclosure care are classified as restricted.

2. Cash

The Agency's deposits in banks at June 30, 2010, 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.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

3. Loans

The Agency has obtained an interest-free loan from the Iowa Department of Natural Resources for an expansion of the Agency's recycling program. The amount borrowed under this loan was $81,361, with $20,000 considered forgivable and not required to be repaid. Payments of $2,822 are due quarterly with the final payment due July 15, 2011. The balance of this loan was $11,467 on June 30, 2010.

The Agency entered into a long-term loan with American National Bank on August 25, 2006, to finance the construction of a transfer station at an interest rate of 8%. Advances totaling $149,500 were made under this loan agreement. Payments of $5,000 plus interest are due quarterly with a final payment of $16,593 due on July 15, 2011. The loan balance was $36,593 as of June 30, 2010.

Following is a summary of changes in the loans for the year ended June 30, 2010:

	Balance June 30, 2009	Issued	Paid	Balance June 30, 2010
Iowa Dept of Natural Resources	$ 22,754	$ -	$ 11,287	$ 11,467
United Bank of Iowa	68,090	-	31,497	36,593
	$ 90,844	$ -	$ 42,784	$ 48,060

Annual debt service requirements to maturity for the above loans are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	8.00%	$ 31,287	$ 2,327	$ 33,614
2012	8.00	16,773	332	17,105
		$ 48,060	$ 2,659	$ 50,719

4. 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, IA, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the Agency is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008, were $15,145, $15,670 and $11,739 respectively, equal to the required contributions for each year.

5. Other Postemployment Benefits (OPEB)

Plan Description - The Agency operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active and no retired members in the plan. Participants must be age 65 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are $642 for single coverage and $1,517 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the Agency contributed $43,451 and plan members eligible for benefits contributed $3,396 to the plan.

6. 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 postclosure 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.

6. Closure and Postclosure Care - (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year.

Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be $401,240 for postclosure care as of June 30, 2010. The landfill has no remaining life and was completely closed during the fall of 2006.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated the resources necessary to fund these costs and, at June 30, 2010, assets of $401,240 are restricted 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.

7. 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 634 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 contributions to the Pool for the year ended June 30, 2010 were $21,661.

7. Risk Management - (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim and $10,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 to $10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation at June 30, 2010, was $10,995. This liability has been computed based on rates of pay in effect at June 30, 2010.

9. Solid Waste Hauling Contract

The Agency entered into a contract for the hauling of solid waste. Under the terms of this contract, the contractor will haul the Agency's solid waste from the Agency's transfer station to the contractor's landfill site. During the year ended June 30, 2010, the contractor was paid $282,909, pursuant to this agreement.

10. Transfer Station Closure Care

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 into 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 into 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 landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Agency as of June 30, 2010, have been estimated at $22,209. The balance has been restricted and is fully funded at June 30, 2010.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of Woodbury
County Area Solid Waste Agency

We have audited the accompanying financial statement of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2010, and have issued our report thereon dated February 28, 2011. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with another 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 Woodbury County Area Solid Waste 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 statement, but not for the purpose of expressing an opinion on the effectiveness of Woodbury County Area Solid Waste Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodbury County Area 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Woodbury County Area Solid Waste Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodbury County Area Solid Waste Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2010, 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 written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion 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 Woodbury County 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.

February 28, 2011

Hungelman, Putzier & Co.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Findings Related to the Financial Statement:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

A. Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliation are all handled by either of two individuals. Also, the Board chairman signs checks prior to examining documentation.

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. Also, checks should not be signed without proper documentation.

Response – Copies of the paid warrants are mailed monthly to all board members and a list of warrants to be paid are presented at every board meeting along with invoices to be reviewed. The monthly warrants presented to the board are signed at the monthly meeting.

Conclusion – Response accepted.

B. Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Board to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – The Agency has relied upon the expertise of the auditor to provide recommendations related to the accounting principles as part of their role during the auditing process. The auditor routinely recommends adjustments to the year-end statements following the audit. The manager will review accounting literature and educational materials that are relevant to the Agency.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

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

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

3. Business Transactions - Business transactions between the Agency and Agency officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Owner of J.J. Motor, Inc. is the brother of the Agency Manager	Repairs, parts	$ 2,563

Recommendation - The board should determine that the transactions do not represent a conflict of interest.

Response – The Agency had been doing business with J & J Motor before the manager came to work for the landfill. J & J Motor has been in business for 30 years, have certified technicians to do the mechanical work, and have a building large enough to do repairs on the recycling truck. In addition, as of January 2011, Nancy Hone retired as the manager of the Agency, and her brother sold J & J Motor to an unrelated employee. Therefore, the chance for conflict of interest has been resolved.

Conclusion – Response accepted.

4. Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

5. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

6. Financial Assurance – The Agency has elected to demonstrate financial assurance for transfer station closure and the landfill postclosure care by establishing a local government dedicated fund as provided in Chapter 567-106.18(3) and 567-113.14(6) of the Iowa Administrative Code. The details are as follows:

	Transfer Station Closure	Landfill Postclosure
Total estimated costs for closure and postclosure care	$ 22,209	$ 401,240
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2010	$ 22,209	$ 401,240