

**BUENA VISTA COUNTY
SOLID WASTE COMMISSION**

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

JUNE 30, 2010

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Buena Vista County Solid Waste Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
David Wiley	Chairperson	City of Newell
David Althaus	Vice Chair	City of Sioux Rapids
Tom Huseman	Secretary	City of Alta
Erik Mosbo	Treasurer	City of Rembrandt
Gary Wallburg	Member	City of Lakeside
Mike Wilson	Member	City of Storm Lake
Don Altena	Member	Buena Vista County
Barry Meyer	Member	City of Truesdale
Starr Abbas	Member	City of Marathon
Abe Falkena	Member	City of Albert City



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

Independent Auditor's Report

To the Members of the Buena Vista County Solid Waste Commission:

We have audited the accompanying financial statement of the Buena Vista County Solid Waste Commission as of and for the year ended June 30, 2010. This financial statement is the responsibility of the Commission'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.

The Buena Vista County Solid Waste Commission has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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 Buena Vista County Solid Waste Commission 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 2, 2011, on our consideration of the Buena Vista County Solid Waste Commission'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.

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

February 2, 2011

Buena Vista County Solid Waste Commission

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

Year Ended June 30, 2010

Operating receipts:	
City and County assessments	\$ 788,871
User fees and gate receipts	641,529
Sale of recycled products	56,858
Pop can redemption	233,210
Finance charges	616
Rent	28,903
Miscellaneous	12,364
Total operating receipts	<u>1,762,351</u>
Operating disbursements:	
Salaries and benefits	756,222
Solid waste exchange	422,668
Monthly meeting reimbursement	5,210
Equipment maintenance and repairs	36,318
Fuel, oil and lubricants	41,608
Operating supplies and repairs	6,944
Office expenses	14,304
Utilities	11,381
Travel and continuing education	1,921
Insurance	58,119
Engineering	41,324
Legal and accounting services	11,531
Garbage hauling	136,768
Pop can redemption	180,621
Real estate taxes	1,805
Solid waste fees and sales tax	1,530
Regional collection center	14,128
White goods disposal	9,510
Tire disposal	2,834
Gate closing	2,800
Miscellaneous	17,766
Total operating disbursements	<u>1,775,312</u>
(Deficiency) of operating receipts under operating disbursements	(12,961)
Non-operating receipts (disbursements)	
Loan proceeds	150,031
Interest on investments	434
Closure costs	(51,367)
Equipment purchases/capital improvements	(62,495)
Debt payments	(83,740)
Net non-operating receipts (disbursements)	<u>(47,137)</u>
Net change in cash basis net assets	(60,098)
Cash basis net assets, beginning of year	<u>48,579</u>
Cash basis net assets, end of year	<u>\$ (11,519)</u>

See Notes to Financial Statement.

Buena Vista County Solid Waste Commission
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets
Year Ended June 30, 2010

Cash Basis Net Assets	
Restricted For:	
Closure and postclosure	\$ 16,217
Total restricted net assets	<u>16,217</u>
Unrestricted	<u>(27,736)</u>
Total cash basis net assets	<u><u>\$ (11,519)</u></u>

BUENA VISTA COUNTY SOLID WASTE COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2010

(1) Summary of Significant Accounting Policies

The Buena Vista County Solid Waste Commission was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste and recycling facilities in Buena Vista County on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each of the nine member cities and one representative from Buena Vista County. The member cities are Albert City, Alta, Lakeside, Marathon, Newell, Rembrandt, Sioux Rapids, Storm Lake and Truesdale. The commissioners are appointed by the participating political subdivisions and each has one vote.

A. Reporting Entity

For financial reporting purposes, the Buena Vista County Solid Waste Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission 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 Commission are such that exclusion would cause the Commission'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 Commission 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 Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Jointly Governed Organization

The Commission also participates in a jointly governed organization, PCB Solid Waste Commission, whose purpose is to provide leadership in developing and preparing a joint comprehensive Solid Waste Management Plan and to assist in facilitating the disposal of any type of solid waste within the geographic area of the Commission.

Plymouth, Cherokee, Chickasaw and Buena Vista landfills are members of PCB Solid Waste Commission.

The Commission does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating Commissions.

C. Basis of Presentation

The accounts of the Commission 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

BUENA VISTA COUNTY SOLID WASTE COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2010

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.

D. Basis of Accounting

The Buena Vista County Solid Waste Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission 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 Commission in accordance with U.S. generally accepted accounting principles.

E. Net Assets

Funds set aside for payment of closure, postclosure care are classified as restricted.

(2) **Cash and Investments**

The Commission'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 ensure there will be no loss of public funds.

The Commission 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 Commission; 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 Commission had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,382 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The Commission'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 Commission.

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

(3) **Pension and Retirement Benefits**

The Commission 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

BUENA VISTA COUNTY SOLID WASTE COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2010

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 4.3% of their annual salary and the Commission is required to contribute 6.65% of annual covered payroll. Contributions were not made until the fiscal year ended in 2011 plus penalties and interest. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$41,100, \$39,547, and \$35,886, respectively, equal to the required contributions for each year.

(4) Other Postemployment Benefits (OPEB)

Plan Description – The Commission operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There were 18 active members in the plan at June 30, 2010. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Buena Vista County Employee Health Plan. Retirees under age 65 pay the same premium for the medical benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Commission and plan members are \$434 for single coverage and \$1,102 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the Commission contributed approximately \$74,364 and plan members eligible for benefits contributed approximately \$35,018 to the plan.

(5) Closure and Postclosure Care

To comply with federal and state regulations, the Commission 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 Commission (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that received 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

BUENA VISTA COUNTY SOLID WASTE COMMISSION

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and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated to be \$25,240 for closure and \$907,921 for postclosure, for a total of \$933,161 as of June 30, 2010. These liabilities have been guaranteed by Buena Vista County per Chapter 567-113.14(6f) of the Iowa Administrative Code. The landfill is no longer accepting solid waste and is operating as a transfer station and recycling center.

(6) Risk Management

The Commission 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 Commission'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 Commission's annual contributions to the Pool for the year ended June 30, 2010 were \$38,256.

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

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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, 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 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.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and the employee blanket bond in the amount of \$1,000,000 and \$200,000 respectively. The Commission 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.

(7) Compensated Absences

Commission 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 Commission until used or paid. The Commission's approximate liability for earned vacation payments at June 30, 2010 was \$23,399. This liability has been computed based on rates of pay in effect at June 30, 2010. The Commission's approximate liability for sick leave payments at June 30, 2010 was \$53,397.

(8) Notes and Loans

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Issued	Paid	Balance End of Year	Interest Paid
BV County promissory note	\$ 19,286	-	-	19,286	-
Citizens First National Bank loan	98,000	-	19,600	78,400	3,710
Citizens First National Bank loan	311,969	90,031	35,000	367,000	7,577
Citizens First National Bank loan	-	60,000	-	60,000	396
Iowa Dept of Natural Resources loan	16,533	-	6,613	9,920	-
Iowa Dept of Natural Resources loan	<u>97,592</u>	-	<u>10,844</u>	<u>86,748</u>	-
	<u>\$ 543,380</u>	<u>\$150,031</u>	<u>\$72,057</u>	<u>\$621,354</u>	<u>\$11,683</u>

The Commission has an unsecured promissory note in the original amount of \$94,486 payable to Buena Vista County. Repayment of this interest-free loan to the County began August 1, 1993, with annual

BUENA VISTA COUNTY SOLID WASTE COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2010

payments of \$4,700 over a 20-year period. The required payments for this note were not made for the year ended June 30, 2010.

On October 31, 2008, the Commission obtained a promissory note in the amount of \$98,000 from Citizens First National Bank to finance the purchase of a 2009 Caterpillar end-loader. The terms of the note stipulate five annual payments of \$19,600 due each November 1, beginning in 2009, with interest due each May and November 1. The note bears interest at 4.20%.

On May 15, 2009, the Commission obtained a promissory note from Citizens First National Bank to provide long-term financing for the construction of the municipal solid waste sorting building. The outstanding balance on this note at June 30, 2010 was \$367,000. Repayment terms include principal payments of \$35,000 due each January 15th beginning in 2010, with interest due each January and July 15th. The note bears interest at 3.65%. As described in Footnote (10) on page 11, this note was refinanced in November 2011.

On February 22, 2010, the Commission obtained a \$60,000 revolving line of credit from Citizens First National Bank to provide short term cash flow assistance. Repayment terms include principal payments of \$60,000 due February 15, 2011, with interest due quarterly. The note bears interest at 3.65%. As described in Footnote (10) on page 11, this note was refinanced in November 2011.

The Commission has obtained an interest-free loan from the Iowa Department of Natural Resources for a modification of the Commission's current recycling system. The maximum amount available under this loan is \$53,066 with \$20,000 considered forgivable and not required to be repaid. Repayment of this interest-free loan began January 15, 2008, with quarterly payments of \$1,653 due over a five-year period.

The Commission has obtained an interest-free loan from the Iowa Department of Natural Resources to fund the construction of a municipal solid waste sorting building. The maximum amount available under this loan is \$108,435. Repayment of this interest-free loan began January 15, 2009, with quarterly payments of \$5,422 due over a five-year period. The Commission failed to make two of the required payments due under this agreement for the year ended June 30, 2010.

Annual debt service requirements to maturity for Commission's notes and loans are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 138,814	11,800	150,614
2012	75,508	8,316	83,824
2013	72,201	7,017	79,218
2014	72,201	5,714	77,915
2015	26,700	4,823	31,523
2016-2024	<u>235,930</u>	<u>21,705</u>	<u>257,635</u>
	\$ <u>621,354</u>	<u>59,375</u>	<u>680,729</u>

BUENA VISTA COUNTY SOLID WASTE COMMISSION

NOTES TO FINANCIAL STATEMENT

June 30, 2010

(9) Economic Dependency

For the year ended June 30, 2010, two customers accounted for approximately 47% of the gate receipts for the Commission.

(10) Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through February 2, 2011, the date these financial statements were issued.

Subsequent to June 30, 2010, the Commission board learned of approximately \$320,000 in past due bills including payroll taxes, IPERS, garbage hauling, and exchange fees. Management had not informed the board of the cash flow problems and past due obligations. When the board learned of the unpaid bills, the bookkeeper resigned and the manager was placed on leave until he subsequently resigned as well.

When the board became aware of the cash flow issues they scaled back operations and laid-off thirteen employees. Unused equipment was sold for approximately \$75,000 and twenty seven acres of the Commission's farmground was sold for \$202,500. These measures were taken in addition to obtaining additional short term financing of \$320,000 in order to improve the Commission's cash balance and keep the Commission's debt at a manageable level.

The Commission intends on selling an additional sixty acres of farmground which will further the boards efforts in reducing their overall debt to a serviceable level.

The additional short term financing described above was dated November 9, 2010. It refinanced \$427,000 of the current outstanding notes and borrowed an additional \$320,000 from a local bank at a rate of 3.65%. The new note and accrued interest matures July 1, 2011. The note is collateralized by real property.



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

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 Buena Vista County Solid Waste Commission:

We have audited the accompanying financial statement of the Buena Vista County Solid Waste Commission as of and for the year ended June 30, 2010, and have issued our report thereon dated February 2, 2011. 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 auditing standards generally accepted in the United States of America 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 Commission'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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 that 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 that we consider to be material weaknesses.

A deficiency in internal control 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 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in I-A-10, I-B-10, and I-C-10 in the Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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

instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as Items I-C-10 and I-D-10.

The Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Commission'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 Buena Vista County Solid Waste Commission and other parties to whom the Commission 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 and representatives of the Buena Vista County Solid Waste Commission 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.

February 2, 2011

BUENA VISTA COUNTY SOLID WASTE COMMISSION

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part I: Findings Related to the Financial Statement:

CONTROL DEFICIENCIES:

I-A-10 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 Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – While the landfill staff continues to collect fees, make deposits, and track accounts receivable, and outside CPA firm has been hired to prepare payroll, pay Commission bills, and compile monthly financial reports.

Conclusion – Response accepted.

I-B-10 Financial Reporting – We noted that management has hired a CPA firm capable of preparing accurate financial statements that provide information sufficient for the members of the Commission 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. Prior to engaging the CPA firm to prepare the bookkeeping, management did not possess these qualifications.

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. Hiring an outside firm to assist with these responsibilities would also address this material deficiency.

Response – We have engaged the services of a local CPA firm experienced with governmental accounting, budgeting, bookkeeping, payroll, and other services. The firm also provides us with a monthly cash flow projection and a comparison of that projection with the actual results.

Conclusion – Response accepted.

I-C-10 Payables and Penalties – As of June 30, 2010, there was approximately \$82,000 of garbage hauling and exchange fees, approximately \$100,000 of federal payroll taxes including penalties and interest and approximately \$53,000 of IPERS including penalties and interest which were due and not paid.

Recommendation – We recommend the Commission pay all bills in a timely manner.

Response – As mentioned above, the Board of Directors has engaged the services of a CPA firm to assist in addressing the unpaid bills and to assist us in keeping current on our bills in the future. All past due bills, including those mentioned above, have been paid and are now current.

Conclusion – Response accepted.

BUENA VISTA COUNTY SOLID WASTE COMMISSION

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

INSTANCES OF NON-COMPLIANCE:

- I-C-10 Payroll tax payments – We believe item I-C-10, in addition to being a material weakness in internal control, is a material instance of non-compliance with applicable regulations.
- I-D-10 Note Payments – We noted that the Commission had not made the required payments under the note agreement with Buena Vista County.

We also noted the Commission had not made all of the required payments under a note agreement with the Iowa Department of Natural Resources (#07G550-37).

Recommendation – The Commission should take steps to make all required note payments in a timely manner.

Response – We have taken steps to improve cash flows that should enable us to make our note payments when due. Subsequent to June 30, 2010, we have made all required payments to the Iowa Department of Natural Resources to bring us current with the requirements of Note #07-G550-37.

Conclusion – Response accepted.

BUENA VISTA COUNTY SOLID WASTE COMMISSION

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Questionable Disbursements – There were 52 weeks in the fiscal year ended June 30, 2010, the Commission had a weekly payroll, and we noted that the former manager received 53 paychecks during the year. We inquired of the president of the board of directors to determine if he was aware of the reason for an extra paycheck being issued. He was not aware of any reason. We did not identify approval in the minutes from the board meetings for an extra paycheck being issued.

We also noted that in 2 instances the IPERS withholding from employees payroll checks was not at the rate established by state statute.

Recommendation – Procedures should be put in place to clearly approve any payroll that is out of the ordinary. Procedures should also be put in place to identify changes in IPERS rates and to make the needed changes to the payroll system.

Response – We have engaged the services of a CPA firm which will assist us in ensuring any payroll that is out of the ordinary is identified and specifically approved.

Conclusion – Response accepted.

II-B-10 Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.

II-C-10 Commission Minutes – While the operating note issued in 2010 required the signature of the Commission's president, we did not identify in the minutes that the note was authorized by the entire board.

We found that the Commission did not publish the Board of Directors minutes for the July 14, 2009 meeting, the July 21, 2009 meeting, the August 6, 2009 meeting, the October 8, 2009 meeting, the November 12, 2009 meeting, the April 8, 2010 meeting, and the June 10, 2010 meeting.

Recommendation – We recommend that whenever issuing debt for the Commission that the issue be brought before the entire board for their approval.

We recommend the minutes for each Board of Directors meeting be published in a timely manner and that the publication include a list of all bills paid including the purpose for the payment and a summary of the receipts received by the Commission.

Response – The Commission will publish all future Board of Directors meeting minutes in a timely manner.

Conclusion – Response accepted.

BUENA VISTA COUNTY SOLID WASTE COMMISSION

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

II-D-10 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 written investment policy.

II-E-10 Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care by obtaining a local government guarantee as provided in Chapter 113.14(6f) of the Iowa Administrative Code (IAC) Section 567 and by requesting a variance to IAC Section 567, which requires fully funding closure and postclosure accounts before the closure of the landfill. The variance has been approved and provides as follows:

- a. Use the remaining life of the Buena Vista County landfill to set aside funds in the closure account for costs to close the landfill consistent with the landfill engineer’s closure estimate; and,
- b. Within nine (9) years after close of the landfill or by June 30, 2018, whichever is shorter, set aside funds in the postclosure accounts for costs to maintain the site for the remainder of the postclosure period consistent with the landfill engineer’s postclosure cost estimate.

The total identified costs for closure and postclosure care is \$933,161. Buena Vista County has guaranteed this liability. Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit for the current fiscal year was not made.

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

Response – Based on current cash flow projections, the Commission should have the funds in order to deposit the required payment to our closure fund during the current fiscal year. We intend to fund the closure fund as required in the future.

Conclusion – Response accepted.

II-F-10 Financial Condition – The Commission had a negative cash balance as of June 30, 2010.

Recommendation – We recommend action be taken to improve the financial condition.

Response – The Commission has removed the manager and bookkeeper from their positions, has hired an accounting firm to provide financial reports and pay all bills, they have put a budget in place, instituted layoffs, and taken out a operating loan to help them improve their financial condition. We anticipate selling additional real estate and generating operating cash flows to greatly reduce our outstanding debt obligations and generate a positive cash balance.

Conclusion – Response accepted.