

**NORTH CENTRAL IA REGIONAL
SOLID WASTE AGENCY**

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

JUNE 30, 2011

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North Central IA Regional Solid Waste Agency

Officials

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|--------------------|---------------------|-----------------------|
| Troy Hassebrock | Chairperson | City of Blairsburg |
| Nathan Brockman | Executive Committee | City of Eagle Grove |
| David Fierke | Executive Committee | City of Fort Dodge |
| Curt Olson | Executive Committee | City of Fort Dodge |
| Dan Payne | Executive Committee | City of Fort Dodge |
| Walter Jensen | Executive Committee | City of Humboldt |
| Harlan Hanson | Executive Committee | Humboldt County |
| Joe Gray | Executive Committee | City of Manson |
| Gregg Wright | Executive Committee | City of Randall |
| Lois Vanhorn | Executive Committee | City of Vincent |
| Eddie Petersen | Executive Committee | Webster County |
| Meryl Loseke | Board Member | City of Badger |
| City Clerk | Board Member | City of Barnum |
| City Clerk | Board Member | City of Bradgate |
| Craig Hanson | Board Member | City of Callender |
| Henry Froisland | Board Member | City of Clare |
| David Lee | Board Member | City of Dakota City |
| City Clerk | Board Member | City of Dayton |
| Scott Burnett | Board Member | City of Duncombe |
| Dale Graham | Board Member | City of Ellsworth |
| City Clerk | Board Member | City of Gilmore City |
| Gayle Rabbitt | Board Member | City of Gowrie |
| Wesley Sweedler | Board Member | Hamilton County |
| Donna Brundage | Board Member | City of Harcourt |
| Jeff Crutcher | Board Member | City of Hardy |
| Mickey Walker | Board Member | City of Jewell |
| Lendall Mechaelsen | Board Member | City of Kamrar |
| City Clerk | Board Member | City of Knierim |
| Larry Larson | Board Member | City of Lehigh |
| Marie Wilson | Board Member | City of Livermore |
| Brad Hoffman | Board Member | City of Moorland |
| Mark Groat | Board Member | City of Otho |
| Frank Hacker | Board Member | City of Ottosen |
| John Hendricks | Board Member | City of Pioneer |
| Joe Gray | Board Member | City of Pomeroy |
| Steve Erwin | Board Member | City of Renwick |
| Joann Hendricks | Board Member | City of Rockwell City |
| City Clerk | Board Member | City of Rutland |
| Kempton Young | Board Member | City of Stanhope |
| Michael Nepereny | Board Member | City of Stratford |
| Wayne White | Board Member | City of Thor |
| Eugene Gray | Board Member | City of Webster City |
| City Clerk | Board Member | City of Williams |

North Central IA Regional Solid Waste Agency

Officials

Name

Title

Mike Grell
Deb Watson

Director of Landfill Operations
Director of Recycling and Administration/Finance

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, 2011. 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 accounting principles generally accepted in the United States of America.

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, 2011, 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 January 12, 2012, 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 4 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.

T. P. Anderson & Company P.C.

January 12, 2012

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, 2011. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2011 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts increased 7%, or approximately \$211,000, from fiscal 2010 to fiscal 2011 due to increased tonnage and recycling activity.
- ◆ Operating disbursements increased 9.9%, or approximately \$206,000, from fiscal 2010 to fiscal 2011 due mainly to the purchase of a bulldozer.
- ◆ Cash basis net assets increased 21%, or approximately \$957,000, from June 30, 2010 to June 30, 2011.

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 accounting principles generally accepted in the United States. 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.

Gate fees from accepting solid waste, recycling sales, and member assessments generate the Agency's operating receipts. 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, 2011 and June 30, 2010 are presented below:

| <u>Changes in Cash Basis Net Assets</u> | | |
|--|----------------------------|------------------|
| | <u>Year Ended June 30,</u> | |
| | <u>2011</u> | <u>2010</u> |
| Operating receipts: | | |
| Solid waste fees | \$ 2,661,377 | 2,523,661 |
| Member assessments | 342,269 | 342,945 |
| Recycling sales | 262,491 | 198,238 |
| Miscellaneous | <u>21,557</u> | <u>11,901</u> |
| Total operating receipts | <u>3,287,694</u> | <u>3,076,745</u> |
| Operating disbursements: | | |
| Salaries and wages | 841,175 | 854,413 |
| Equipment | 231,271 | 10,008 |
| Other | <u>1,214,934</u> | <u>1,217,299</u> |
| Total operating disbursements | <u>2,287,380</u> | <u>2,081,720</u> |
| Excess of operating receipts over operating disbursements | <u>1,000,294</u> | <u>995,025</u> |
| Non-operating receipts (disbursements): | | |
| Interest on investments | 5,188 | 6,669 |
| Insurance settlement for equipment loss | - | 375,025 |
| Buy-in payments | 98,784 | 98,784 |
| Cell development | (132,272) | (203,049) |
| Leachate collection system construction and cell development | <u>(147,302)</u> | <u>(24,212)</u> |
| Net non-operating receipts (disbursements) | <u>(43,330)</u> | <u>253,217</u> |
| Net change in cash basis net assets | 956,984 | 1,248,242 |
| Cash basis net assets, beginning of year | <u>4,649,074</u> | <u>3,400,832</u> |
| Cash basis net assets, end of year | <u>\$ 5,606,058</u> | <u>4,649,074</u> |
| Restricted for: | | |
| Closure | \$ 451,121 | 379,650 |
| Postclosure | 3,145,421 | 2,342,505 |
| DNR – recycle projects and landfill planning | <u>67,127</u> | <u>80,496</u> |
| Total restricted net assets | 3,663,669 | 2,802,651 |
| Unrestricted | <u>1,942,389</u> | <u>1,846,423</u> |
| Total cash basis net assets | <u>\$ 5,606,058</u> | <u>4,649,074</u> |

In fiscal 2011, operating receipts increased by \$211,000, or 7%, over fiscal 2010. The increase was largely the result of a \$138,000 increase in solid waste fees. In fiscal 2011, operating disbursements increased by approximately \$206,000, or 9.9% over fiscal 2010.

A portion of the Agency's net assets, \$3,596,542 (64%), 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. \$67,127, (1%) of the Agency's net assets is restricted for special recycling projects and landfill planning. The remaining net assets, \$1,942,389 (35%), are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets increased \$874,387, or 19%, during the year. The increase resulted from a \$670,688 deposit to the closure/postclosure accounts along with DNR-Recycling Project set-asides. Unrestricted net assets increased \$95,966 during the year due primarily to increased gate fee revenue and recycling activity.

LONG-TERM DEBT

At June 30, 2011, 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 for the five years from 2008 through 2012, to satisfy the repayment of a 2008 transfer from these accounts. The Agency has one remaining \$100,000 installment due under this agreement. The payment is due to be made by June 30, 2012.

ECONOMIC FACTORS

The cash basis financial position of the Agency improved in the current fiscal year due to a full year of increased gate fees (due to the rate increase effective January 1, 2009). 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 2012, 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 fiscal year 2013. The Department of Natural Resources (DNR) is requiring the Agency to build a new cell. The Agency's current cell uses a clay liner. The DNR will require the landfill to use a plastic liner for the new cell and the Agency is currently researching the associated costs.

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 22nd Street, Fort Dodge, IA 50501.

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

Year Ended June 30, 2011

| | |
|---|---------------------|
| Operating receipts: | |
| Solid waste fees | \$ 2,661,377 |
| Member assessments | 342,269 |
| Recycling sales | 262,491 |
| Miscellaneous | 21,557 |
| Total operating receipts | <u>3,287,694</u> |
| Operating disbursements: | |
| Salaries and benefits | 841,175 |
| Equipment replacement | 231,271 |
| Iowa Department of Natural Resources tonnage fee | 192,506 |
| Equipment rental | 130,000 |
| Fuel | 274,299 |
| Monitoring and inspection | 107,749 |
| Equipment maintenance | 207,288 |
| Building maintenance | 37,524 |
| Supplies | 42,915 |
| Legal and professional fees | 6,176 |
| Office expense and postage | 12,601 |
| Utilities | 19,754 |
| Advertising | 13,446 |
| Road maintenance | 42,133 |
| Insurance | 74,083 |
| Miscellaneous | 54,460 |
| Total operating disbursements | <u>2,287,380</u> |
| Excess of operating receipts over operating disbursements | 1,000,314 |
| Non-operating receipts (disbursements): | |
| Interest on investments | 5,188 |
| Buy-in payments | 98,784 |
| Cell Development | (132,272) |
| Leachate collection system construction | (15,030) |
| Net non-operating receipts (disbursements) | <u>(43,330)</u> |
| Net change in cash basis net assets | 956,984 |
| Cash basis net assets, beginning of year | <u>4,649,074</u> |
| Cash basis net assets, end of year | <u>\$ 5,606,058</u> |

See Notes to 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, 2011

| | |
|--|----------------------------|
| Cash Basis Net Assets | |
| Restricted For: | |
| Closure | \$ 451,121 |
| Postclosure Care | 3,145,421 |
| DNR - recycle projects and landfill planning | <u>67,127</u> |
| Total restricted net assets | 3,663,669 |
| Unrestricted | <u>1,942,389</u> |
| Total cash basis net assets | <u><u>\$ 5,606,058</u></u> |

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2011

(1) Summary of Significant Accounting Policies

The North Central IA Regional Solid Waste Agency (the 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, Blairsburg, Bradgate, Callender, Clare, Dakota City, Dayton, Duncombe, Eagle Grove, Ellsworth, Fort Dodge, Gilmore City, Gowrie, Harcourt, Hardy, Humboldt, Jewell, Kamrar, Knierim, Lehigh, Livermore, Manson, Moorland, Otho, Ottosen, Pioneer, Pomeroy, Randall, Renwick, Rockwell City, Rutland, Thor, Stanhope, Stratford, Vincent, 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.

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 accounting principles generally accepted in the United States.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2011

D. Net Assets

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

E. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through January 12, 2012, the date the financial statement was released.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2011 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 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 \$5,409,365 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in IPAIT represents 96% 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.

(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 4.50% of their annual salary and the Agency is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$42,469, \$41,631, and \$38,928, respectively, equal to the required contributions for each year.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2011

(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 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 \$456,631 for closure and \$3,606,900 for postclosure, for a total of \$4,063,531 as of June 30, 2011. The estimated remaining life of the landfill is 25 years, with approximately 60% of the landfill's capacity used at June 30, 2011.

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, 2011, assets of \$3,596,542 are restricted for these purposes, of which \$451,121 is for closure and \$3,145,421 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.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2011

- 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.

(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, 2011, the unspent amounts retained by the Agency and restricted for the required purposes are as follows:

| | |
|---|------------------|
| Special account – DNR – Landfill planning | \$ 8,191 |
| Special account – DNR – Recycling | <u>58,936</u> |
| Total | <u>\$ 67,127</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 645 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 150 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.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2011

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, 2011 were \$39,178.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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 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, 2011, 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, 2011 was \$14,906. This liability has been computed based on rates of pay in effect at June 30, 2011.

Employees who retire from the Agency, and those who leave the Agency after a period of employment of ten years or more, are paid the equivalent of up to 25% of their accumulated unused sick leave, not to exceed a total of 30 days. These accumulations are not recognized as disbursements by the Agency until used or paid. At June 30, 2011, Agency employees had \$64,176 in total unused sick leave.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The Agency operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 16 active members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully insured plan with Wellmark. 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 Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis. The most

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2011

recent active member monthly premiums for the Agency and plan members are \$840 for single coverage and \$2,577 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the Agency contributed approximately \$126,627 and plan members eligible for benefits contributed \$31,144 to the plan.

(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 2008 fiscal year. The final deposit under this agreement is required to be made no later than June 30, 2012.

(10) Subsequent Events

The Agency entered into a lease-to-own agreement to purchase a landfill compactor in July 2011. The lease calls for payments of \$13,543/month for 36 months and charges interest at a rate of 3.45%. At the end of the lease term the compactor will be the property of the Agency after a residual buy-out payment of \$1.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statement 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 IA Regional Solid Waste Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated January 12, 2012. 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 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 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 the 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, no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a significant deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described at I-A-11 in the Schedule of Findings to be a material weakness.

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 Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. 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.

January 12, 2012

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part I: Findings Related to the Financial Statement:

REPORTABLE CONDITIONS:

I-A-11 Segregation of Duties –One person has primary control over substantially all of the accounting duties.

Criteria – A proper system of internal controls assumes incompatible duties, such as receipt of customer payments and posting payments to accounts receivable, be performed by separate persons.

Cause – The size of the Agency is the determining factor with regards to segregation of duties.

Effect – A material weakness in the design of the Agency’s internal control system is the effect.

Recommendation – We recommend you review the Agency’s operating procedures to obtain the maximum segregation of duties possible. Consider incorporating board members to enhance the segregation of duties.

Client Response – We believe we are close to achieving the maximum segregation of duties possible given the size of the Agency. We will continue to monitor our procedures for opportunities to further segregate incompatible duties.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 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.

II-B-11 Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

II-C-11 Agency Minutes – The gross salaries of Agency employees were not published.

Criteria - Chapter 28E.6(3) of the Code of Iowa requires that the gross salaries of the Agency employees be published annually.

Cause – The gross wages were not published because of an inadvertent omission in the documents submitted for publishing.

Effect – The Agency did not comply with this aspect of Iowa Code Chapter 28E.

Recommendation – We recommend you publish the gross wages annually for all Agency employees.

Client response – We will publish the gross wages in the future.

Conclusion – Response accepted.

II-D-11 Deposits and Investments –No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency’s written investment policy were noted except that the amount on deposit with the Iowa Public Agency Trust was allowed to exceed the amount approved in the depository resolution.

Criteria – The Agency approved a resolution naming all depositories that may be used by the Agency and the maximum amount that can be held on deposit at any one time at those depositories.

Cause – The Agency’s depository resolution has not been updated since 2002.

Effect - The Agency did not comply with their depository resolution and therefore did not comply with that aspect of Iowa Code Chapter 12C.

Recommendation – We recommend you update the depository resolution and attempt to set the depository limits high enough to allow the Agency to comply with it.

Client response – We will update our depository resolution.

Conclusion – Response accepted.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

II-E-11 Solid Waste Fees Retainage – During the year ended June 30, 2011, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

II-F-11 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:

| | <u>Closure</u> | <u>Postclosure</u> |
|---|-------------------|---------------------|
| Total estimated costs for closure and postclosure care | \$ 456,631 | \$ 3,606,900 |
| Less: Balance of funds held in the local dedicated fund at June 30, 2010 | <u>379,650</u> | <u>2,342,505</u> |
| | 76,981 | 1,264,395 |
| Divided by the number of years remaining in the pay-in-period | <u>÷ 2</u> | <u>÷ 2</u> |
| Required payment into the local dedicated fund for the year ended June 30, 2011 | 38,491 | 632,198 |
| Balance of funds held in the local dedicated fund at June 30, 2010 | <u>379,650</u> | <u>2,342,505</u> |
| Balance of funds required to be held in the local dedicated fund at June 30, 2011 | <u>\$ 418,141</u> | <u>\$ 2,974,703</u> |
| Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2011 | <u>\$ 451,121</u> | <u>\$ 3,145,421</u> |