

Northwest Iowa Area
Solid Waste Agency

FINANCIAL REPORT

June 30, 2012

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Northwest Iowa Area Solid Waste Agency
Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Les Brommer	Chairman	City of Sioux Center
Bill Imhoff	Vice-Chairman	Osceola County
Arlyn Kleinwolterink	Executive Board Member	Sioux County
Scott Maggert	Executive Board Member	City of Matlock
Tom Farnsworth	Executive Board Member	O'Brien County
Brad Meendering	Executive Board Member	City of Hartley
Brad Hindt	Executive Board Member	City of Sheldon
Arlyn Pedley	Executive Board Member	City of Ocheyedan
Jerry Johnson	Executive Board Member	City of Sibley
Brad Behrens	Executive Board Member	City of Everly
Mike Modder	Executive Board Member	Lyon County
Dennis Thielvoldt	Executive Board Member	City of Alford
Bob Gerber	Executive Board Member	City of Lester
Gary Horton	Executive Board Member	City of Akron
Dale Oltmans	Board Member	City of Alton
Ken Hoogendoorn	Board Member	City of Boyden
Robin Falde	Board Member	City of Chatsworth
Mike Steffes	Board Member	City of Granville
Tom Kane	Board Member	City of Hawarden
John Solsma	Board Member	City of Hospers
Rod Te Krony	Board Member	City of Hull
Jordan Richardson	Board Member	City of Ireton
Virgil Van Schepen	Board Member	City of Maurice
Bryan Gerritson	Board Member	City of Orange City
Dale Kooima	Board Member	City of Rock Valley
Brian Frangenberg	Board Member	City of Archer
Dana Petrich	Board Member	City of Calumet
Justin Stamer	Board Member	City of Paullina
Kurt Edwards	Board Member	City of Primghar
Mike Dummett	Board Member	City of Sanborn
Liz Peters	Board Member	City of Sutherland
William Honkomp	Board Member	City of Ashton
Phil Hibma	Board Member	City of Harris
Gary Benz	Board Member	City of Melvin
Allen Hockett	Board Member	City of Dickens
Aaron Rutter	Board Member	City of Fostoria
City of Gillett Grove	Board Member	City of Gillett Grove
Casey Lawson	Board Member	City of Greenville
Jacque Kehoe	Board Member	City of Peterson
Bonnie Trosin	Board Member	City of Rossie
Tabitha Howe	Board Member	City of Royal
Brad Greene	Board Member	City of Webb
Marlo De Jager	Board Member	City of Doon
Russ Hopp	Board Member	City of George
Dan Moen	Board Member	City of Inwood
Dean Snyders	Board Member	City of Larchwood
Rod Borer	Board Member	City of Little Rock
Marlene Bowers	Board Member	City of Rock Rapids

Northwest Iowa Area Solid Waste Agency
 Officials - continued

Dennis Wright	Alternate Board Member	Sioux County
Ron Minten	Alternate Board Member	City of Alton
Justin Beukelman	Alternate Board Member	City of Boyden
Mark Weyen	Alternate Board Member	City of Chatsworth
Dennis Friedmann	Alternate Board Member	City of Granville
Larry Bauder	Alternate Board Member	City of Hawarden
Ben Hamblin	Alternate Board Member	City of Hospers
Les Van Roekal	Alternate Board Member	City of Hull
Deb Korleski	Alternate Board Member	City of Ireton
Charlie Schwebach	Alternate Board Member	City of Matlock
Bill Korver	Alternate Board Member	City of Maurice
Duane Feekes	Alternate Board Member	City of Orange City
Tom Van Maanen	Alternate Board Member	City of Rock Valley
Murray Hulstein	Alternate Board Member	City of Sioux Center
Emily Waund	Alternate Board Member	O'Brien County
Bill Engeltjes	Alternate Board Member	City of Archer
Sarah Riedemann	Alternate Board Member	City of Calumet
Mike Boeve	Alternate Board Member	City of Hartley
Kevin Tesch	Alternate Board Member	City of Paullina
Glen Schueller	Alternate Board Member	City of Primghar
Jim Zeutenhorst	Alternate Board Member	City of Sanborn
Todd Uhl	Alternate Board Member	City of Sheldon
City of Sutherland	Alternate Board Member	City of Sutherland
Phil Bootsma	Alternate Board Member	Osceola County
Dennis Hatting	Alternate Board Member	City of Ashton
Amy Muftah	Alternate Board Member	City of Harris
Lee Dau	Alternate Board Member	City of Melvin
Gene Turner	Alternate Board Member	City of Ocheyedan
Dan Janssen	Alternate Board Member	City of Sibley
Steve Simmons	Alternate Board Member	City of Dickens
Bud Meyer	Alternate Board Member	City of Everly
James Shatto	Alternate Board Member	City of Fostoria
Gary Findley	Alternate Board Member	City of Gillett Grove
Don Scott	Alternate Board Member	City of Greenville
Rick Delutri	Alternate Board Member	City of Peterson
David Yungbluth	Alternate Board Member	City of Rossie
Monica Kelly	Alternate Board Member	City of Royal
Heather Baier	Alternate Board Member	City of Webb
Kirk Peters	Alternate Board Member	Lyon County
Mark Nagel	Alternate Board Member	City of Alvord
Brian Denekas	Alternate Board Member	City of Doon
Kary Conaway	Alternate Board Member	City of George
Kyle Knobloch	Alternate Board Member	City of Inwood
Sandi DeSmet	Alternate Board Member	City of Larchwood
Daniel Gerber	Alternate Board Member	City of Lester
Cody Hoefert	Alternate Board Member	City of Rock Rapids
Harold Higman Jr.	Alternate Board Member	City of Akron
Larry Oldenkamp	Manager	
Elliot Waddell	Engineer	

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Iowa Area Solid Waste Agency
Sheldon, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Northwest Iowa Area Solid Waste Agency (an intergovernmental organization) as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Area Solid Waste Agency as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2012 on our consideration of Northwest Iowa Area 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 read in conjunction with this report in considering the results of our audits.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

K. F. Murphy Co., P.C.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
July 30, 2012

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Agency's operating revenues decreased 4%, or \$55,122, from fiscal 2011 to fiscal 2012. Both gate fees and recycling income decreased due to a decrease in tonnage.

The Agency's operating expenses were 10%, or \$139,829 more in fiscal 2012 than in fiscal 2011. This is primarily due to an increase in closure and postclosure costs as a result of a change in estimate.

The Agency's net assets decreased less than 1%, or \$15,347 from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

Northwest Iowa Area Solid Waste Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal year 2012 total approximately \$4,234,000. This compares to approximately \$4,250,000 for fiscal year 2011. A summary of the Agency's net assets is presented below.

Net Assets		
	June 30,	
	2012	2011
Current assets	\$ 2,960,301	\$ 2,974,155
Restricted assets	1,565,793	1,563,383
Capital assets at cost, less accumulated depreciation	<u>1,162,949</u>	<u>1,031,505</u>
Total assets	<u>5,689,043</u>	<u>5,569,043</u>
Current liabilities	99,114	121,077
Noncurrent liabilities	<u>1,355,606</u>	<u>1,198,296</u>
Total liabilities	<u>1,454,720</u>	<u>1,319,373</u>
Net assets:		
Invested in capital assets, net of related debt	1,162,949	1,031,505
Restricted	1,565,793	1,563,383
Unrestricted	<u>1,505,581</u>	<u>1,654,782</u>
Total net assets	<u>\$ 4,234,323</u>	<u>\$ 4,249,670</u>

The unrestricted portion (36%) may be used to meet the Agency's obligations as they come due. The Agency's restricted net assets (37%) are restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (eg. land, buildings and equipment) (27%) are resources allocated to capital assets.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest, farm and grant income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2012 and 2011 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2012	2011
Operating revenue:		
Gate fees	\$ 1,176,130	\$ 1,193,976
Recycling fees	258,304	288,786
Household hazardous material fees	10,878	17,672
Total operating revenue	1,445,312	1,500,434
Operating expenses:		
Salaries and employee benefits	526,041	527,956
Directors' fees and meetings	3,613	3,481
Gas, oil and grease	162,993	130,289
Telephone and utilities	13,715	4,395
Office, shop supplies and tools	4,280	4,180
Repairs and maintenance	63,861	57,645
Equipment rental	-	6,470
Payroll taxes	31,127	30,552
Insurance	57,871	71,925
Professional fees	6,345	5,775
Depreciation	158,789	169,445
Advertising	921	2,199
Bad debt expense	249	-
Miscellaneous	387	390
Custodial expense	1,500	1,560
Education and training	3,930	2,825
Gravel	7,187	34,733
Engineering, hydrological studies and water sampling	63,521	46,769
Recycling expenses	-	37,267
Solid waste fee	192,707	204,812
Leachate disposal expense	10,811	-
Appliance and tire disposal fees	34,006	42,945
Closure and postclosure costs	157,310	(24,278)
Total operating expenses	<u>1,501,164</u>	<u>1,361,335</u>
Operating income (loss)	<u>(55,852)</u>	<u>139,099</u>
Non-operating revenues:		
Interest income	37,574	45,735
Net farm income	2,931	15,535
Total non-operating revenue	<u>40,505</u>	<u>61,270</u>
(Decrease)/Increase in net assets	(15,347)	200,369
Net assets beginning of year	<u>4,249,670</u>	<u>4,049,301</u>
Net assets end of year	<u>\$ 4,234,323</u>	<u>\$ 4,249,670</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a negative year with a decrease in the net assets at the end of the fiscal year.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

In fiscal year 2012, operating revenues decreased by \$55,122, or 4%, primarily a result of a decrease in recycling income. Operating expenses increased by \$139,829, or 10%. The increase was primarily a result of an increase in closure and postclosure costs.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits, Iowa Investment Trust Fund, and interest income.

Capital Assets

At June 30, 2012, the Agency had \$1,162,949 invested in capital assets, net of accumulated depreciation of \$2,465,125. Depreciation charges totaled \$158,789 for fiscal year 2012. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

Economic Factors

Northwest Iowa Area Solid Waste Agency slightly diminished its financial position during the current fiscal year. In addition, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

Facilities at the Agency require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an ongoing 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 and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Northwest Iowa Area Solid Waste Agency, 4540 360th Street, Sheldon, Iowa.

Northwest Iowa Area Solid Waste Agency
Statements of Net Assets

	June 30	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 453,283	\$ 469,527
Certificates of deposit	1,377,068	1,141,769
Investments	956,024	1,180,438
Accounts receivable	103,352	112,808
Accrued interest receivable	9,337	11,640
Prepaid insurance	61,237	57,973
Total current assets	2,960,301	2,974,155
CAPITAL ASSETS		
Net of accumulated depreciation	1,162,949	1,031,505
RESTRICTED ASSETS		
Cash and cash equivalents	51,595	81,552
Certificate of deposit	1,514,198	1,481,831
Total restricted assets	1,565,793	1,563,383
Totals	\$ 5,689,043	\$ 5,569,043

See notes to financial statements.

	June 30	
	2012	2011
LIABILITIES & FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 29,605	\$ 52,563
Solid waste tax payable	54,146	55,087
Accrued payroll expenses	934	-
Accrued property taxes	938	886
Compensated absences	13,491	12,541
Total current liabilities	<u>99,114</u>	<u>121,077</u>
NONCURRENT LIABILITIES		
Estimated liability for landfill closure and postclosure costs	1,355,606	1,198,296
Total noncurrent liabilities	<u>1,355,606</u>	<u>1,198,296</u>
Total liabilities	<u>1,454,720</u>	<u>1,319,373</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,162,949	1,031,505
Reserved for		
Tonnage fees retained	51,595	81,552
Closure and postclosure care costs	1,514,198	1,481,831
Unreserved	1,505,581	1,654,782
Total net assets	<u>4,234,323</u>	<u>4,249,670</u>
Totals	<u>\$ 5,689,043</u>	<u>\$ 5,569,043</u>

Northwest Iowa Area Solid Waste Agency
Statements of Revenue, Expenses and Changes in Net Assets

	June 30	
	2012	2011
REVENUE		
Gate fees	\$ 1,176,130	\$ 1,193,976
Recycling fees	258,304	288,786
Household hazardous material fees	10,878	17,672
Total revenue	\$1,445,312	\$1,500,434
OPERATING EXPENSES		
Salaries and wages	413,800	417,630
Directors and meetings	3,613	3,481
Gas, oil and grease	162,993	130,289
Telephone and utilities	13,715	4,395
Office supplies and services	4,280	4,180
Repairs and maintenance	63,861	57,645
Equipment rental	-	6,470
Payroll taxes	31,127	30,552
Pension expense	32,401	26,830
Insurance	57,871	71,925
Employee benefits	79,840	83,496
Professional fees	6,345	5,775
Depreciation	158,789	169,445
Advertising	921	2,199
Bad debt expense	249	-
Miscellaneous	387	390
Custodial expense	1,500	1,560
Education and training	3,930	2,825
Gravel	7,187	34,733
Engineering and hydrological study	42,160	27,965
Water sample expense	21,361	18,804
Recycling project	-	37,267
Iowa Department of Natural Resources tonnage fee	192,707	204,812
Appliance disposal fees	6,635	5,890
Leachate disposal expense	10,811	-
HHM expense	18,518	21,303
HHM education and advertising	63	5,133
Tire disposal fees	8,790	10,619
Closure and postclosure care costs	157,310	(24,278)
Total operating expenses	1,501,164	1,361,335
Operating income	(55,852)	139,099
NON-OPERATING REVENUE		
Interest income	37,574	45,735
Farm income, net of expenses 2012 \$5,574; 2011 \$1,940	2,931	15,535
Total non-operating revenue	40,505	61,270
Net income	(15,347)	200,369
Net assets beginning of year	4,249,670	4,049,301
Net assets end of year	\$ 4,234,323	\$ 4,249,670

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency

Statements of Cash Flows

	June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,177,387	\$1,205,739
Cash paid to suppliers and employees	(1,017,585)	(956,110)
Cash received from farming	8,505	17,475
Cash paid relating to farming	(5,574)	(1,940)
Cash received from solid waste tax	84,674	89,993
Net cash provided by operating activities	<u>247,407</u>	<u>355,157</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(290,233)	(88,549)
Net cash (used in) capital and related financing activities	<u>(290,233)</u>	<u>(88,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Iowa Investment Trust Fund	(91,170)	(93,723)
Proceeds from Iowa Investment Trust Fund	315,584	85,536
Purchase of Certificates of Deposit	(267,666)	(62,141)
Interest received	39,877	46,915
Net cash provided by (used in) investing activities	<u>(3,375)</u>	<u>(23,413)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(46,201)	243,195
CASH AND CASH EQUIVALENTS		
Beginning	<u>551,079</u>	<u>307,884</u>
Ending	<u>\$ 504,878</u>	<u>\$ 551,079</u>

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
Statements of Cash Flows (continued)

	June 30	
	2012	2011
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEETS		
Per balance sheets		
General fund, cash and cash equivalents	\$ 453,283	\$ 469,527
Restricted fund, cash and cash equivalents	51,595	81,552
Total per statement of cash flows	\$ 504,878	\$ 551,079
 RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 126,972	\$ 139,099
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	158,789	169,445
Closure and postclosure costs	(25,514)	(24,278)
Component of operating income reclassified for purposes of reporting cash flows:		
Farm income, net	2,931	15,535
Changes in assets and liabilities		
Decrease in accounts receivable	9,456	110
Decrease (increase) in prepaid insurance	(3,264)	9,198
(Decrease) in solid waste tax payable	(941)	(1,770)
Increase (decrease) in accounts payable	(22,958)	36,421
Increase in accrued payroll expenses	934	-
Increase in accrued property taxes	52	92
Increase in compensated absences	950	11,305
Total adjustments	120,435	216,058
Net cash provided by operating activities	\$ 247,407	\$ 355,157

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northwest Iowa Area Solid Waste Agency is an intergovernmental organization organized under the provisions of Chapter 28E of the laws of the State of Iowa for the purpose of providing for the economic disposal and recycling of solid waste generated within each member municipality located in a five county area. Admission to the Agency is on a voluntary basis, with new members being approved by the existing Board of Directors. The Agency also provides disposal services to private contractors. The Agency, being an intergovernmental organization, is exempt from income taxes.

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

Basis of Presentation

The accounts of the Northwest Iowa Area Solid Waste Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in conjunction with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2012 and 2011, include certificates of deposit of \$1,377,068 and \$1,141,769, respectively.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets - Funds set aside for payment of closure and postclosure costs are classified as restricted.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the useful lives of the assets. Buildings and lease improvements are amortized over twenty-five years and equipment is depreciated over a five to seven year life.

The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 1,000
Equipment and vehicles	\$ 500

Capital assets of the Agency are depreciated using the straight line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated useful Lives (In Years)</u>
Buildings	15-25
Building improvements	7-10
Equipment and vehicles	5-7

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2012 or 2011.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2012 and 2011.

NOTE 2 CASH AND INVESTMENTS

The Agency's deposits at June 30, 2012 and 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 depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments at June 30, 2012 and 2011 were as follows:

	<u>Carrying Amount</u>	<u>Market Amount</u>
2012 Iowa Investment Trust	<u>\$ 956,024</u>	<u>\$ 956,024</u>
2011 Iowa Investment Trust	<u>\$ 1,180,438</u>	<u>\$ 1,180,438</u>

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classification as follows:

	Balance			Balance
	<u>6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2012</u>
Land	\$ 183,046	\$ -	\$ -	\$ 183,046
Land improvements	363,424	169,646		533,070
Equipment	1,970,525	96,402		2,066,927
Buildings	786,701	23,868		810,569
Office equipment	<u>34,145</u>	<u>317</u>		<u>34,462</u>
	3,337,841	290,233	-	3,628,074
Less accumulated depreciation	<u>(2,306,336)</u>	<u>(158,789)</u>		<u>(2,465,125)</u>
Totals	\$1,031,505	\$ 131,444	\$ -	\$1,162,949

NOTE 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 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 5.38% of their annual covered salary and the Agency is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$32,401, \$26,830 and \$24,244, respectively, equal to the required contributions for each year.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. July 1, 1990, the Agency joined together with local government agencies in the State to form Iowa Community Assurance Pool (ICAP), a public entity risk pool currently operating as a common risk management and insurance program. The Agency pays an annual premium to ICAP for its general insurance coverage. The agreement for formation of ICAP provides that ICAP will be self-sustaining through member premiums and will reinsure through commercial companies for claims on excess of \$250,000 for each insured event.

The Agency continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 MAJOR CUSTOMERS

For the period ending June 30, 2012 and 2011, three customers accounted for 34% and 32% of total operating revenue.

<u>Name</u>	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Orange City Sanitation, Inc.	\$164,472	11%	\$148,921	10%
Brommer Truck Line	216,433	15%	210,842	14%
Town & Country, Inc.	111,571	8%	120,395	8%

NOTE 7 RELATED PARTIES

The Agency collects gate fees in the normal course of business from solid waste carriers who also serve on the Agency's Board. Following is a summary:

<u>Name and Title</u>	<u>Description</u>	<u>2012</u>	<u>2011</u>
Les Brommer - Sioux County Representative, Executive Board Owner of Brommer Truck Line	Gate & Solid Waste Fees	\$216,433	210,842
	Accounts Receivable	20,336	18,582
Rod Te Krony - Hull Representative, Full Board Owner of Rod's Sanitation, Inc.	Gate & Solid Waste Fees	\$ 31,710	30,873
	Accounts Receivable	2,478	2,732
William Honkomp, Ashton Representative, Full Board	Gate & Solid Waste Fees	\$ 25,938	24,483
	Accounts Receivable	2,580	2,253

NOTE 8 CLOSURE AND POSTCLOSURE CARE COSTS

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 on 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.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 CLOSURE AND POSTCLOSURE COSTS (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 period. Estimated total costs would 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.

The total costs for the Northwest Iowa Area Solid Waste Agency have been estimated at \$2,318,800 as of June 30, 2012 and the portion of the liability that has been recognized is \$1,355,606. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 27 years and the capacity used at June 30, 2012 is approximately 58 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care 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, 2012, assets of \$1,514,198 are restricted for these purposes. They are reported as restricted assets and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (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 mechanism and the government guarantee. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

The fund is dedicated by local government statute as a reserve fund.

Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.

Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(6)(a) of the IAC allows the agency 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 landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Chapter 567-113.14(6)(h) of the IAC allows a landfill to choose the local government guarantee to demonstrate financial assurance. The guarantee must be a written guarantee jointly provided by the members of the 28E organization.

Due to a revision of the original closure and postclosure cost estimate, the agency is required to remit an additional \$18,537 to the Department of Natural Resources subsequent to year end in order to be in compliance with regulations. This balance will be funded in November, 2012.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 9 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, 2012, the unspent amount retained by the Agency and restricted for required purposes totaled \$51,595.

NOTE 10 RECLASSIFICATIONS

Certain 2011 amounts in the Agency's financial statements have been reclassified to conform to the 2012 financial statement presentation.

**INDEPENDENT AUDITORS' 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 Northwest
Iowa Area Solid Waste Agency:

We have audited the financial statements of the Northwest Iowa Area Solid Waste Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated July 30, 2012. 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 Northwest Iowa 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 statements, but not for the purpose of expressing our opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northwest Iowa Area Solid Waste Agency's internal control over financial reporting.

Our consideration of the 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 a significant deficiency.

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 a material misstatement of Northwest Iowa Area Solid Waste Agency's financial statements will not be prevented or detected and corrected on a timely basis. We do not consider the deficiencies in Northwest Iowa Area Solid Waste Agency's internal control described in the accompanying Schedule of Findings 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 consider the deficiency described in the accompanying Schedule of Findings as item A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Area Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Northwest Iowa Area Solid Waste Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit Northwest Iowa Area Solid Waste 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 Northwest Iowa Area 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 Northwest Iowa Area 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.

K. F. Murphy Co., P.C.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
July 30, 2012

NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012

Findings Related to the Financial Statements:

Significant Deficiency:

- A. Segregation of Duties - An 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 the preparation of checks, reconciling of the bank statement, and execution of general ledger functions were all done by the same person.

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

Response - Due to the limited number of office employees, segregation of duties is very difficult. However, the manager reviews receipts, postings, and payroll on a test basis.

Conclusion - Response accepted.

Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Current year statutory comments are as follows:

1. Official Depositories - A resolution naming official depositories has been adopted by the Agency. We noted no instances of non-compliance with the amounts noted.
2. Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
4. Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
5. Deposits and Investments - The Agency has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. We noted no instances of non-compliance with the policy.
6. Solid Waste Fees Retainage - During the year ended June 30, 2012, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
7. Financial Assurance - The Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 113 of the Iowa Administrative Code. The Agency has showed financial assurance by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules. The Agency also has a local government guarantee in place for any unfunded amounts.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

K. F. Murphy Co., P.C.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
July 30, 2012