

CHEROKEE COUNTY SOLID WASTE COMMISSION

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

CHEROKEE COUNTY SOLID WASTE COMMISSION

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CHEROKEE COUNTY SOLID WASTE COMMISSION

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Mark Leeds	Executive Board - Chairman	Cherokee County
Jeff Bowen	Board Member	Aurelia
Mick Mallory	Board Member	Cherokee
Les Pederson	Board Member	Cleghorn
Dan James	Board Member	Larrabee
Steve Galigan	Board Member	Marcus
Roger Smith	Board Member	Meriden
Larry Nelson	Board Member	Quimby
Donald Parrot	Board Member	Washta



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Cherokee County Solid Waste Commission:

We have audited the financial statements of Cherokee County Solid Waste Commission as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherokee County Solid Waste Commission as of June 30, 2012, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 12, 2013 on our consideration of Cherokee County Solid Waste Commission's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 7 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, who considers it to be an essential part of 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 auditing standards generally accepted in the United States of America, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
April 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues increased 2%, or \$32,792 from the fiscal year 2011 to fiscal year 2012.
- The Commission's operating expenses decreased 6%, or \$115,626 from fiscal year 2011 to fiscal year 2012.
- The Commission's net assets decreased 6%, or \$111,983 from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Cherokee County Area Solid Waste Commission 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 Cherokee County Area Solid Waste Commission'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 Commission's financial activities.

The Statement of Net Assets presents information on the Commission'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 Commission 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 Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission'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 Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The 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 COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal year 2012 totaled \$2,081,362. This compares to \$2,193,345 for fiscal year 2011. A summary of the Commission's net assets is presented below.

STATEMENT OF NET ASSETS

	June 30,	
	2012	2011
Current assets	\$ 332,371	\$ 559,195
Restricted investments	2,761,747	404,341
Capital assets at cost, less accumulated depreciation	5,629,670	5,705,326
Other Assets	124,811	55,684
Total assets	<u>8,848,599</u>	<u>6,724,546</u>
Current liabilities	651,691	1,019,861
Long-term liabilities	5,135,955	2,407,547
Other Liabilities	979,591	1,103,793
Total liabilities	<u>6,767,237</u>	<u>4,531,201</u>
Net assets:		
Invested in capital assets, net of related debt	2,295,778	2,614,000
Restricted	510,668	456,508
Unrestricted	(725,084)	(877,163)
Total net assets	<u>\$2,081,362</u>	<u>\$ 2,193,345</u>

The unrestricted portion of the Commission's net assets is a deficit balance at June 30, 2012. The amount invested in capital assets (e.g. land, buildings and equipment), less the related debt portion of net assets are resources allocated to capital assets. The remaining net assets are restricted for closure and postclosure core and restricted tonnage fees. State and federal laws and regulations require the Commission 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.

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 income, rental income, rental expenses, and interest expense. 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 and expenses for the years ended June 30, 2012 and June 30, 2011 is presented below:

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Year ended June 30,	
	2012	2011
OPERATING REVENUES		
County and City Assessments	\$ 356,482	\$ 359,520
Tipping Fees	1,388,206	1,402,414
Sales of Recycled Products	261,927	295,281
Miscellaneous	12,934	4,217
Recovery of Postclosure Care Costs	93,157	18,482
Total Operating Revenues	2,112,706	2,079,914
OPERATING EXPENSES		
Salaries	577,805	719,014
Payroll Tax Expenses	51,537	54,126
Directors and Management Fees	7,754	9,521
Newspaper Purchased	12,452	10,900
Shop Supplies and Expenses	20,887	33,065
Insurance	123,992	117,408
Employee Benefits	178,876	189,156
Vehicles Expense	15,709	24,819
Freight	934	6,093
Disposal Fees	4,705	6,860
Repairs – Building	16,794	750
Repairs – Equipment	110,594	75,873
Fuel	91,577	103,641
Rock Expense	21,817	15,537
Landfill Expense	35,343	34,168
Recycling Expense	16,930	24,605
PCB Clinic Expenses	10,670	12,100
Depreciation and Amortization	341,612	329,365
Utilities	64,398	82,559
Engineering and Testing	56,804	31,617
Lawsuit Expense	-	59,470
Iowa Department of Natural Resources Tonnage Fees	93,462	66,598
Equipment Rent	2,500	1,600
Leachate	9,432	36,819
Advertising	4,680	-
Office Supplies and Postage	8,548	5,203
Dues and Subscriptions	-	82
Professional Services	88,509	29,513
Medical Reimbursements	10,475	13,244
License, Fees and Permits	1,578	1,565
Miscellaneous Expenses	2,881	3,610
Total Operating Expenses	1,983,255	2,098,881
Operating Income (Loss)	129,451	(18,967)

	Year ended June 30,	
	2012	2011
NON-OPERATING REVENUE (EXPENSES)		
Interest Income	41,167	5,940
Land and Rental House Income	7,184	5,969
Insurance Proceeds	-	18,638
Rental House Expenses	(1,458)	(3,638)
Unrealized Loss on Investments	(37,218)	-
Interest Expense	(251,434)	(164,137)
	<u>(241,434)</u>	<u>(137,228)</u>
Total Non-Operating Revenues (Expenses)		
Change in Net Assets	(111,983)	(156,195)
Net Assets Beginning of Year	2,193,345	2,349,540
Net Assets End of Year	<u>\$ 2,081,362</u>	<u>\$2,193,345</u>

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

In fiscal 2012, operating revenues increased by \$32,792, or 2%. Operating expenses decreased by \$115,626, or 6%. The decrease in operating expenses was primarily a result of downsizing the operation, which resulted in 20 employees being laid off and a discontinuing of sorting recycling and trash on location.

Statement of Cash Flows

The Statement of Cash Flow 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 principal repayments and the purchase of capital assets. Cash provided by investing activities includes proceeds from the redemption of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2012, the Commission had approximately \$5,629,670 invested in capital assets, net of accumulated depreciation of approximately \$3,389,717. Depreciation charges totaled \$341,612 for fiscal year 2012. More detailed information about the Commission's capital assets is presented in Note 13 to the financial statements.

LONG-TERM DEBT

At June 30, 2012, the Commission has \$6,618,841 in long-term debt and other liabilities outstanding, an increase of \$2,504,801 from 2011. Of the increase, \$2,655,000 is related to the issuance of refunding debt. The proceeds are currently held in escrow until the notes can be called in 2014. More detailed information about the Commission's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

Cherokee County Area Solid Waste Commission maintained its financial position during the current fiscal year. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- The operating costs of the new pellet fuel recycling facility that has produced limited revenue and they have discontinued its operations and have looked into selling the equipment.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Continued Iowa Department of Natural Resources' regulatory changes in permit compliance.

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherokee County Area Solid Waste Commission, 1805 Linden Street, Cherokee, Iowa 51012.

FINANCIAL STATEMENTS

CHEROKEE COUNTY SOLID WASTE COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents - Undesignated	\$ 57,718
Cash and Cash Equivalents - Board Designated	4,078
Cash and Cash Equivalents - Restricted	54,369
Receivables:	
Accounts Receivable	85,869
Due from Other Governments	113,103
Accrued Interest	562
Prepaid Expenses	16,672
Total Current Assets	<u>332,371</u>

Noncurrent Assets

Restricted Assets:	
Investments - Closure and Postclosure Care	456,299
Investments - Capital Loan Escrow	2,305,448
Capital Assets (Net of Accumulated Depreciation)	5,629,670
Other Investment - PCB Agency	10,421
Bond Issuance Costs (Net of Amortization)	114,390
Total Noncurrent Assets	<u>8,516,228</u>
Total Assets	<u>8,848,599</u>

LIABILITIES

Current Liabilities

Accounts Payable	111,967
Salaries and Benefits Payable	15,313
Other Accrued Liabilities	21,116
Current Portion of Long Term Debt	503,295
Total Current Liabilities	<u>651,691</u>

Long Term Liabilities

Long Term Debt Net of Current Portion	5,135,955
Estimated Liability for Landfill Closure and Postclosure Care	979,591
Total Long Term Liabilities	<u>6,115,546</u>
Total Liabilities	<u>6,767,237</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt (Including Contributed Capital)	2,295,778
Restricted For:	
Tonnage Fees Retained	54,369
Closure and Postclosure Care	456,299
Unrestricted	(725,084)
Total Net Assets	<u>\$ 2,081,362</u>

See Accompanying Notes to Financial Statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES

County and City Assessments	\$	356,482
Tipping Fees		1,388,206
Sales of Recycled Products		261,927
Miscellaneous		12,934
Recovery of Postclosure Care Costs		93,157
Total Operating Revenues		2,112,706

OPERATING EXPENSES

Salaries		577,805
Payroll Tax Expenses		51,537
Directors and Management Fees		7,754
Newspaper Purchased		12,452
Shop Supplies and Expenses		20,887
Insurance		123,992
Employee Benefits		178,876
Vehicles Expense		15,709
Freight		934
Disposal Fees		4,705
Repairs - Building		16,794
Repairs - Equipment		110,594
Fuel		91,577
Rock Expense		21,817
Landfill Expenses		35,343
Recycling Expense		16,930
PCB Clinic Expenses		10,670
Depreciation and Amortization		341,612
Utilities		64,398
Engineering and Testing		56,804
Iowa Department of Natural Resources Tonnage Fees		93,462
Equipment Rent		2,500
Leachate		9,432
Advertising		4,680
Office Supplies and Postage		8,548
Professional Services		88,509
Medical Reimbursements		10,475
License, Fees and Permits		1,578
Miscellaneous Expenses		2,881
Total Operating Expense		1,983,255

Operating Income		129,451
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See Accompanying Notes to Financial Statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

NONOPERATING REVENUES (EXPENSES)

Interest Income	41,167
Rent Income	7,184
Other Expense	(1,458)
Unrealized Loss on Investments	(37,218)
Interest Expense	(251,109)
Net Nonoperating Revenues (Expenses)	<u>(241,434)</u>
Change in Net Assets	(111,983)
Net Assets Beginning of Period	<u>2,193,345</u>
Net Assets End of Period	<u><u>\$ 2,081,362</u></u>

See Accompanying Notes to Financial Statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:

Cash Received from Gate Fees and Assessments	\$ 1,800,727
Cash Received from Recycling Sales	261,927
Cash Received from Miscellaneous Income	12,934
Cash Paid to Suppliers for Goods and Services	(856,757)
Cash Paid to Employees for Services	(998,461)
Net Cash Provided by Operating Activities	220,370

Cash Flows from Capital & Related

Financing Activities:

Acquisition of Property and Equipment	(259,093)
Proceeds from Notes	3,220,000
Principal Paid on Notes	(672,077)
Payments to Refunding Loan Escrow	(2,342,666)
Loan Fees Paid	(83,990)
Interest Payments	(243,817)
Proceeds from Rental of Property Net of Expenses	5,726
Net Cash (Used) by Capital & Related Financing Activities	(375,917)

Cash Flows from Investing Activities:

Proceeds from Redemption of Investments	560,022
Purchase of Investments	(456,298)
Repayment of Investment from PCB Agency	8,000
Interest Received	41,167
Net Cash Provided from Investing Activities	152,891

Net (Decrease) in Cash and Cash Equivalents (2,656)

Cash and Cash Equivalents - Beginning of Period 118,821

Cash and Cash Equivalents - End of Period \$ 116,165

Components of Cash and Cash Equivalents - End of Period:

Cash and Cash Equivalents - Undesignated	\$ 57,718
Cash and Cash Equivalents - Board Designated	4,078
Cash and Cash Equivalents - Restricted	54,369
	\$ 116,165

See Accompanying Notes to Financial Statements

**CHEROKEE COUNTY SOLID WASTE COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	\$	129,451
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		341,612
(Increase) Decrease in:		
Accounts Receivable		121,291
Due from Other Governments		(65,252)
Prepaid Expenses		8,105
Cafeteria Plan		3,408
Increase (Decrease) in:		
Accounts Payable		(153,287)
Salaries and Benefits Payable		(40,785)
Other Accrued Liabilities		29
Landfill Closure and Postclosure Care Cost Liability		(124,202)
Total Adjustments		<u>90,919</u>
Net Cash Provided by Operating Activities	\$	<u>220,370</u>

See Accompanying Notes to Financial Statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cherokee County Solid Waste Commission owns and operates a sanitary solid waste landfill site, separation center and a pellet fuel recycling facility in Cherokee County, Iowa. The Commission is a proprietary fund type 28E organization and was established to provide for the economic collection and disposal of all solid waste produced or generated within each member Municipality and to cooperate in preventing the contamination of our natural resources. The Commission is composed of one representative from each of the eight member cities and one representative from Cherokee County. Members of the Commission are the County of Cherokee, the Cities of Cherokee, Aurelia, Quimby, Washta, Marcus, Cleghorn, Meriden, and Larrabee.

The Separation Center was started in October of 1989 to recycle solid waste materials. The pellet fuel recycling facility was constructed during fiscal year ended June 30, 2008. During fiscal year ending June 30, 2012, the Commission idled the pellet fuel recycling facility and began outsourcing the separation and sorting of recyclables.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Cherokee County Solid Waste Commission has included all funds, organizations, account groups, 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 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 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 Agency, 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 Agency.

Plymouth, Cherokee and Buena Vista landfills are members of PBC Solid Waste Agency.

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

CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

The accounts of the Cherokee County Solid Waste Commission are organized as a single business-type activity. Business-type activities 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 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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources management 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 Commission 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 Procedures.

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

E. Cash, Investments and Cash Equivalents

The Commission 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 date of purchase, have a maturity date no longer than three months. The Commission did not have any short-term investments during the year ended June 30, 2012.

F. Restricted Assets

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

**CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. 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.

Reported capital assets are defined by the Commission 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>
Building and Improvements	\$ 1,000
Equipment and Vehicles	\$ 1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	39
Land and Building Improvements	20 - 39
Equipment and Vehicles	5 – 15

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 years ended June 30, 2012.

H. Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment only upon termination, death or retirement. The Commission's liability for accumulated vacation and personal leave, including applicable employee benefits, has been computed based on rates of pay in effect at June 30, 2012.

I. Accounts Receivable and Allowances

Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of the fiscal year. The allowance for doubtful accounts at June 30, 2012 was \$0.

**CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 2 – CASH AND INVESTMENTS

The Commission's deposits (demand deposits and certificates) in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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's investments consist only of certificates of deposits which are stated at cost and US Treasury Notes which are stated at market value.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the commission's deposits may not be returned to it. The commission has a deposit policy for custodial credit risk, to fully cover the deposits as of June 30, 2012. As of June 30, 2012, \$0 of the commission's bank balance of \$572,463 was exposed to custodial credit risk as uninsured and uncollateralized.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission does have a formal investment policy that limits investment maturities as a means of managing its exposure. Information about the exposure of the Commission's debt type investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1 Year	1 – 5 Years
Certificates of Deposits	\$456,298	\$228,919	\$227,379
US Treasury Notes	\$2,305,358	\$358,288	\$1,947,070

CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 – LONG TERM DEBT

Changes in long-term debt at June 30, 2012 are summarized as follows:

	6/30/2011			6/30/2012	
	Balance	Additions	Reductions	Balance	Due Within 1 Year
Cherokee State Bank Note	\$ 468,297	\$ -	\$ (168,297)	\$ 300,000	\$ 60,000
Department of Natural Resources Notes	196,950	-	(42,700)	154,250	43,295
Cherokee County 2007 Note	2,345,000	-	(260,000)	2,085,000	275,000
Cherokee County 2011 Notes	-	3,220,000	(120,000)	3,100,000	125,000
Total	<u>\$ 3,010,247</u>	<u>\$ 3,220,000</u>	<u>\$ (590,997)</u>	<u>\$ 5,639,250</u>	<u>\$ 503,295</u>

The following is a schedule of future payments to be made concerning long term debt at June 30, 2012.

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 503,295
2014	2,038,908
2015	234,537
2016	212,510
2017	195,000
2018-2022	725,000
2023-2027	875,000
2028-2031	855,000
	<u>\$ 5,639,250</u>

Notes Payable

Note payable to Cherokee State Bank dated May 26, 2011 was renewed on July 13, 2012. Annual principal payments of \$60,000 will begin on June 2013. Interest payments are due semi-annually each June and December beginning June 2013 at a rate of 5%. The note is secured by accounts receivable, inventory, and equipment and will mature June 2017. The balance at June 30, 2012 was \$300,000.

The Commission entered into two notes payable to the Iowa Department of Natural Resources, \$150,000 with 3% interest and \$150,000 with 0% interest. The original contract is dated March 2007 but funds were not received until fiscal year-ended June 30, 2009. Payments of \$11,316 are due quarterly through October 15, 2015 with the first payment made January 15, 2009. The balance at June 30, 2012 was \$154,250.

The Commission entered into a note payable to Cherokee County, who acted as the issuer, for the Refunding Capital Loan Notes of \$2,345,000 issued on September 21, 2011 for the purpose of refunding the Taxable General Obligation Capital Loan Notes, Series 2007 dated August 15, 2007. The net proceeds were deposited in an escrow account at Bankers Trust to provide for future debt service payments on the refunded bonds. The balance in the escrow account as of June 30, 2012 was \$2,305,658. Interest only payments are due each June and principal and interest payments are due each December. The notes are able to be called June 1, 2014. The current interest rate is 5.75 % and increases each year to a maximum of 5.95%. The balance of the note at June 30, 2012 was \$2,085,000.

**CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 3 – LONG TERM DEBT (Continued)

The Commission entered into a note payable to Cherokee County, who acted as the issuer, for the Taxable General Obligation Refunding Capital Loan Notes, Series 2011A in the aggregate principal amount of \$2,775,000 and the \$445,000 General Obligation Capital Loan Notes, Series 2011B dated September 21, 2011. The purpose of Series 2011A is to refund the 2007 notes and the Series 2011B is to pay for the costs of works and facilities useful for the collection, treatment, and disposal of solid waste. Annual principal payments began June 2012. Interest payments are due semi-annually each June and December, beginning December 2011. Interest rates vary between 5.75% and 6.25% over the life of the note. The note will mature June 2031. The balance at June 30, 2012 was \$3,100,000.

Note 4 – RENT INCOME

The Commission has a short term operating lease on the house at the landfill site with an employee.

The Commission has an operating lease on 24 acres of tillable land with unrelated parties. The lease agreement is for \$225 per acre. The acres may vary as the landfill uses the land. One-half of the payment is to be received on or before March 1st and the second half is due on or before November 1st. The lease agreement expires March 1, 2014. The total parcel of 80 acres of land has a book cost of \$280,000.

Land and rental house income resulted in income of \$5,726 for the year ended June 30, 2012.

Note 5 – 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 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 Commission is required to contribute 8.07% of annual covered payroll for the years ended June 30, 2012. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$51,694, \$50,055, and \$40,211, respectively, equal to the required contribution for each year.

Note 6 – MAJOR CUSTOMER AND ECONOMIC DEPENDENCY

Plymouth County Solid Waste Agency is a major customer of the Cherokee County Solid Waste Commission. Revenues from Plymouth County Solid Waste Agency accounted for \$272,816 of total revenues of \$2,112,707 (13%) for the fiscal year ended June 30, 2012. The original 10 year contract was to expire July 1, 2017, however, the board approved to terminate the contract effective July 1, 2012.

Harold Rawley Recycling Center (Buena Vista County) is also a major customer of Cherokee County Solid Waste Commission. Revenues from the Harold Rawley Recycling Center accounted for \$437,147 of total revenues of \$2,112,707 (21%) for the fiscal year ended June 30, 2012. A 10 year contract was in effect starting June 8, 2006, however, the board approved to terminate the contract effective July 1, 2012.

CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 – RISK MANAGEMENT

Cherokee County Solid Waste 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 663 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 member's 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 Cherokee County Solid Waste Commission's property and casualty contributions to the risk pool are recorded as expenditures from its fund at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the years ended June 30, 2012 was \$28,561.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, 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. The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the Commission's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 – RISK MANAGEMENT (Continued)

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 casualty 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 the withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,00,000 and \$100,000, 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.

Note 8 – CASH IN BANK – BOARD DESIGNATED

The Commission has designated \$2,000 per month as of June 30, 2012 to be deposited in an account to be used for equipment purchases. The fund was also used to transfer funds to the general checking account to pay operating expenses.

Note 9 – SOLID WASTE TONNAGE FEES RETAINED

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2012, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$54,369.

Note 10 – CLOSURE AND POSTCLOSURE CARE COSTS

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 Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

**CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 10 – CLOSURE AND POSTCLOSURE CARE 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 consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently, and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Cherokee County Solid Waste Commission have been estimated at \$489,816 for closure and \$1,822,060 for postclosure, for a total of \$2,311,876 as of June 30, 2012, and the portion of the liability that has been recognized is \$979,591. 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 37.0 years and the capacity used at June 30, 2012 is 9.8 percent. The following table provides a breakdown of closure and postclosure costs for each area:

Horizontal Expansion Cells	
A-1, A-2 and A-3	\$ 480,886
Material Recovery Facility Recycle Center	8,930
Horizontal Expansion Phase A and Phase B	952,800
Original Landfill Area Postclosure Costs	869,260
	<u>\$ 2,311,876</u>

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 Commission has begun accumulating resources to fund these costs and, and June 30, 2012, assets of \$456,299 are restricted for these purposes, of which \$197,585 is for closure and \$258,714 is for postclosure care. They are reported as restricted investments 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 Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. The Commission obtained a local government guaranty from Cherokee County on June 10, 1997 for the purpose of financing the postclosure costs of the landfill.

The updated “Municipal Solid Waste Sanitary Landfill Local Government Postclosure Guarantee” was approved by Cherokee County on April 13, 2010.

On April 14, 2006 the Commission received a letter from the DNR. A horizontal expansion of the landfill was approved and annual deposits may be made using the actual permitted capacity that is available.

CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 10 – CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

Chapter 567-113.14(8) of the IAC allows the Commission 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 Commission is not required to establish closure and postclosure care account in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Note 11 – CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 424,000	\$ -	\$ -	\$ 424,000
Construction in Progress - Cell A-4	334,812	-	334,812	-
Total Capital Assets Not Depreciated	<u>758,812</u>	<u>-</u>	<u>334,812</u>	<u>424,000</u>
Capital Assets Being Depreciated				
Buildings	2,192,911	-	-	2,192,911
Machinery and Equipment	4,196,212	60,489	-	4,256,701
Office Equipment and Furniture	16,430	-	-	16,430
Land Improvements	214,961	20,500	-	235,461
East Landfill	1,380,968	512,916	-	1,893,884
Total Capital Assets Being Depreciated	<u>8,001,482</u>	<u>593,905</u>	<u>-</u>	<u>8,595,387</u>
Less Accumulated Depreciation For:				
Buildings	626,033	61,066	-	687,099
Machinery and Equipment	2,084,409	168,172	-	2,252,581
Office Equipment and Furniture	14,479	727	-	15,206
Land Improvements	98,210	6,069	-	104,279
East Landfill	231,837	98,715	-	330,552
Total Accumulated Depreciation	<u>3,054,968</u>	<u>334,749</u>	<u>-</u>	<u>3,389,717</u>
Total Capital Assets Being Depreciated, Net	<u>4,946,514</u>	<u>259,156</u>	<u>-</u>	<u>5,205,670</u>
Total Capital Assets, Net	<u>\$ 5,705,326</u>	<u>\$ 259,156</u>	<u>\$ 334,812</u>	<u>\$ 5,629,670</u>

Reconciliation of Investment in Capital Assets:

Capital Assets (Net of Accumulated Depreciation)	\$ 5,629,670
Investments - Capital Loan Escrow	2,305,358
Less: Notes Payable	(5,639,250)
Invested in Capital Assets, Net of Related Debt	<u>\$ 2,295,778</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 12 – SUBSEQUENT EVENT

In January 2013, the Commission approved the sale of the recycling equipment for \$135,000. The tipping fees also increased effective July 1, 2012 to \$42 per ton for all customers.

Note 13 – SPECIAL INVESTIGATION

Burkhardt & Dawson, CPA's performed Agreed-Upon Procedures of the Cherokee County Solid Waste Commission for the period January 1, 2003 through October 31, 2011. The Agreed-Upon Procedures report dated December 12, 2011 identified \$37,180.49 of unapproved, unsupported, or improper disbursements for the period January 1, 2003 through October 31, 2011, of which \$2,916 was for the fiscal year ending June 30, 2012.

Copies of the Agreed Upon Procedures Report dated December 12, 2011 have been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/index.html>.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Board of Directors of the
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of the Cherokee County Solid Waste Commission as of and for the year ended June 30, 2012, and have issued our report thereon dated April 12, 2013. 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

The management of the Cherokee County Solid Waste Commission is responsible for establishing and maintaining effective 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 expression our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cherokee County Solid Waste Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cherokee County Solid Waste 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 a material misstatement of the Cherokee County Solid Waste Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Cherokee County Solid Waste Commission's internal control described in the accompanying Schedule of Findings as items 12-II-A and 12-II-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cherokee County Solid Waste Commission'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 Commission's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. 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.

Cherokee County Solid Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Cherokee County Solid Waste Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information of and use of the members and customers of the Cherokee County Solid Waste Commission and other parties to whom the Commission may report and 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 Cherokee 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.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
April 12, 2013

**CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

Part I: Summary of the Independent Auditors' Results:

- (A) An unqualified opinion was issued on the financial statements.
- (B) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any noncompliance which could have a material effect on the financial statement accounts.

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

12-II-A Financial Accounting – Segregation of Duties

Observation – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. One person has control over the invoicing, collection, depositing and posting of cash receipts.

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 – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager review receipts and posting on a test basis.

Conclusion - Response accepted.

12-II-B Financial Reporting

Observation - During the audit, we identified material amounts of capital assets, other assets, and payables not recorded in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

Recommendation – The Commission should make all adjusting entries.

Response - The Commission and the outsourced accounting firm will review these accounts closely in the future to ensure that all capital assets, other assets and payables are properly recorded.

Conclusion - Response accepted.

**CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

Part III: Other Findings Related to Statutory Reporting

12-III-A: Official Depositories – The Board of Trustees has approved a resolution naming official depositories. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2012.

12-III-B: Questionable Expenses – The agreed upon procedures report (issued December 12, 2011 by Burkhardt & Dawson, CPA’s) identified certain unapproved, unsupported, or improper expenses which may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

The Report has been filed with the Cherokee County Attorney’s Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State’s website.

Recommendation – Unauthorized and questionable expenses appear to be potential fraud. Your attorney and the Cherokee County Attorney should be consulted.

Response – The Commission’s attorney’s and the State Auditor’s office were previously consulted.

Conclusion – Response accepted.

12-III-C: Travel Expenses – No disbursements of money for travel expenses of spouses of Commission’s officials or employees were noted.

12-III-D: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

12-III-E: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Cherokee County Solid Waste Commission’s investment policy were noted.

12-III-F: Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

12-III-G: Financial Assurance – The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure	Post Closure
Total estimated costs for closure and post-closure care	\$489,816	\$1,822,060
Less: Balance of funds held in the local dedicated fund at June 30, 2011	(181,660)	(222,681)
	308,156	404,751
Divided by the number of years remaining in the pay-in period	/ 37	/ 37
Required payment into the local dedicated fund for the year ended June 30, 2012	8,329	10,939
Balance of funds held in the local dedicated fund at June 30, 2011	181,660	222,681
Required balance of funds held in the local dedicated fund at June 30, 2012	\$189,989	\$233,620