SAC COUNTY SOLID WASTE AGENCY

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

JUNE 30, 2012

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SAC COUNTY SOLID WASTE AGENCY

OFFICIALS

Name	Title	Representing
Dean Stock	Chairperson	Sac County
Jane Barto	Member	City of Auburn
Sharon Irwin	Member	City of Early
Ben Schroeder	Member	City of Lake View
Jeff Ellerbrock	Member	City of Lytton
Neil Wedeking	Member	City of Nemaha
Bill Tysor	Member	City of Odebolt
Gary Hansen	Member	City of Sac City
Marcy Hallengren	Member	City of Schaller
Steve Druivenga	Member	City of Wall Lake
Laverne Arndt	Member	Coon Valley Township
Craig Pellersels	Member	Douglas Township
Eugene Weitzel	Member	Levey Township
George Naberhaus	Member	Eureka Township
Renee Roland	Secretary	

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
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Independent Auditor's Report

To the Members of Sac
County Area Solid Waste Agency

We have audited the accompanying financial statement of Sac County Solid Waste Agency as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Sac County Solid Waste Agency as of June 30, 2012, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of Sac County Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statement. Management's Discussion and Analysis on pages 5 through 7 is presented for purposes of additional analysis and is not a required part of the financial statement. The information has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Hunzelman, Putzier + Co., PLC

February 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sac County Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of Sac County Solid Waste Agency is for the year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

FINANCIAL HIGHLIGHTS

The Agency's operating receipts increased 7.7%, or $39,180, from fiscal year 2011 to fiscal year 2012.

The Agency's operating disbursements increased 17.8%, or $55,632, from fiscal year 2011 to fiscal year 2012.

Cash basis net assets decreased .5%, or $4,093, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

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

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.

Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

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

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2012 and June 30, 2011 is as follows:

Changes in Cash Basis Net Assets

	Year Ended June 30,	
	2012	2011
OPERATING RECEIPTS		
User fees and gate fees	$ 320,935	$ 255,817
City and County assessments	227,700	253,638
Total operating receipts	548,635	509,455
OPERATING DISBURSEMENTS		
Salaries and benefits	101,611	92,694
Recycling costs	93,299	95,858
Solid waste fees	37,953	8,642
Monitoring wells and testing	23,844	37,302
Engineering services	25,240	12,050
Other	85,943	65,712
Total operating disbursements	367,890	312,258
Excess of operating receipts over operating disbursements	180,745	197,197
NONOPERATING RECEIPTS		
Interest on investments	4,282	7,435
Capital improvements	(189,120)	(113,080)
Net non-operating disbursements	(184,838)	(105,645)
Net change in cash basis net assets	(4,093)	91,552
Cash basis net assets beginning of year	770,976	679,424
Cash basis net assets end of year	$ 766,883	$ 770,976

FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

Condensed Statement of Receipts, Disbursements, and Changes in Cash Basis Net Assets - (Continued)

CASH BASIS NET ASSETS		
Restricted for:		
Closure	$ 83,524	$ 71,938
Postclosure Care	257,335	236,722
Total restricted net assets	340,859	308,660
Unrestricted	426,024	462,316
Total cash basis net assets	$ 766,883	$ 770,976

In fiscal year 2012, operating receipts increased $39,180, or 7.7%, over fiscal year 2011. The increase was a result of solid waste fees increasing $65,118 due to an increase in the amount of waste disposed of, while assessments decreased $25,938 due to a decrease in population among member cities and Sac County. In fiscal year 2012, operating disbursements increased $55,632, or 17.8%, over fiscal year 2011. The increase in disbursements was primarily due to an increase in solid waste fees and engineering services.

A portion of the Agency's net assets, $340,859 (45%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets, $426,024 (55%), are unrestricted net assets which can be used to meet the Agency's obligations as they come due. Restricted net assets increased $32,199, or 10.4%, during the year. The increase was due to additional funds set aside for closure and postclosure care. Unrestricted net assets decreased $36,292, or 7.9%, during the year, due in a large part to a landfill expansion project.

LONG-TERM DEBT

At June 30, 2012, the Agency had no long term debt outstanding.

ECONOMIC FACTORS

The financial position of the Agency did not improve in the current fiscal year as the landfill expansion project decreased net assets. Some factors which continue to cause long term concerns are:

Facilities at the Agency require constant maintenance and upkeep.

Annual deposits required to be made to closure and postclosure care 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 one of transition as it makes important decisions regarding the future of solid waste in this planning area.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sac County Solid Waste Agency, P.O. Box 12, Sac City, Iowa 50583.

SAC COUNTY SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS NET ASSETS
YEAR ENDED JUNE 30, 2012

Exhibit A

Operating receipts:	
User fees and gate receipts	$ 320,935
City and County assessments	227,700
Total operating receipts	548,635
Operating disbursements:	
Salaries and benefits	101,611
Machine hire and contract services	14,368
Operating supplies and repairs	23,732
Solid waste fees	37,953
Utilities	1,981
Insurance	6,547
Engineering services	25,240
Accounting and legal	3,614
Monthly meeting reimbursement	1,265
Miscellaneous, permits, sales tax	9,721
Fuel, oil, and lubricants	20,367
Gravel and rock	4,348
Recycling costs	93,299
Monitoring wells and testing	23,844
Total operating disbursements	367,890
Excess of operating receipts over operating disbursements	180,745
Nonoperating receipts (disbursements):	
Interest on investments	4,282
Capital improvements	(189,120)
Net nonoperating receipts (disbursements)	(184,838)
Net change in cash basis net assets	(4,093)
Cash basis net assets, beginning of year	770,976
Cash basis net assets, end of year	$ 766,883
Cash Basis Net Assets	
Restricted for:	
Closure	$ 83,524
Postclosure care	257,335
Total restricted net assets	340,859
Unrestricted	426,024
Total cash basis net assets	$ 766,883

See notes to financial statement.

1. Summary of Significant Accounting Policies

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

The governing body of the Agency is composed of one representative from each of the nine member cities, one representative from Sac County, and one township trustee from each of the four quarters. The representatives are appointed by the participating political subdivisions and each has one vote.

A. Reporting Entity

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

B. Basis of Presentation

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

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

C. Basis of Accounting

Sac County Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Net Assets

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

2. Cash

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

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

3. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Agency is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were $7,227, $4,753, and $4,548, respectively, equal to the required contributions for each year.

4. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Agency until used or paid.

5. Other Postemployment Benefits (OPEB)

Plan Description - The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 2 active members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are $559 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the Agency contributed $15,202 to the plan.

6. Closure and Postclosure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills which 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 when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

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

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

These costs for the Agency have been estimated to be $142,013 for closure and $867,000 for postclosure care, for a total of $1,009,013 as of June 30, 2012. The estimated remaining life of the landfill is 30 years. 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 accumulated the resources necessary to fund these costs and, at June 30, 2012, assets of $340,859 are restricted for these purposes, of which $83,524 is for closure and $257,335 is for the postclosure care. They are reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-113.14(6) 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 local government guarantee mechanism. Sac County has guaranteed the closure and postclosure care costs.

7. Commitment

On July 1, 2004, the Agency entered into an agreement with Howard Center, Inc. for recycle services. The fees for this service are based on the amount necessary for monthly reimbursement of expenses not recovered by the sale of the recyclable materials. During the year ended June 30, 2012 the Agency paid $93,299 for services under this agreement. The Agency is obligated to fulfill the terms of this agreement through the termination date of July 1, 2013.

8. Risk Management

The Agency is a member of 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% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.
The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool were $6,836 for the year ending June 30, 2012. The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000. 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 on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

8. Risk Management - Continued

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

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 Agency had no unspent tonnage fees.

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

To the Members of Sac
County Solid Waste Agency

We have audited the accompanying financial statement of Sac County Solid Waste Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated February 28, 2013. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with 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 Sac County Solid Waste Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses, and other deficiencies we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a 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 deficiencies described in the accompanying Schedule of Findings as items (E), and (F) to be significant deficiencies.

Compliance and Other Matters

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

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

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

This report, a public record by law, is intended solely for the information and use of the members and customers of Sac County Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be, and should not be, used by anyone other than these specified parties.

February 28, 2013

Hungelman, Putzier & Co., PLC

Findings Related to the Financial Statement:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by one individual.

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 – The Agency will review our operating procedures to obtain the maximum internal control possible within our capabilities with a limited number of employees.

Conclusion – Response accepted.

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

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

Response – The Agency will make every effort to obtain additional knowledge and prepare reliable financial statements to make available to the Board.

Conclusion – Response accepted.

C. User Fees and Gate Receipts – We noted various scale tickets unaccounted for or out of numerical order.

Recommendation – The Agency should account for scale receipts using a numerical sequence and maintain unused or voided tickets.

Response – The Agency will make a concerted effort to maintain a numerical order of scale tickets and track any voided tickets.

Conclusion – Response accepted.

Findings Related to the Financial Statement: (Continued)

D. Cancellation of Invoices - We noted that most invoices were not marked paid to help prevent duplicate payment.

Recommendation - All invoices should be properly canceled to prevent reuse.

Response – The Agency will attach a check stub showing payment of said invoice to each individual invoice.

Conclusion – Response accepted.

E. Personnel Policy – The Agency does not have a written personnel policy and as a result there is no guidance on accrual or carryover of compensated absences. Also, there does not appear to be any record maintained of unused compensated absences.

Recommendation – The Agency should develop a written personnel policy and maintain a record of unused compensated absences.

Response – The Agency is in the process of working with Region XII to develop a personnel policy, which will be similar in nature to the personnel policy being used by Sac County. Included in this personnel policy will be a policy on compensated absences. We hope to have this personnel policy completed and approved prior to June 30, 2013.

Conclusion – Response accepted.

F. Interest and Penalties – We noted instances where quarterly payroll reports and deposits were filed past the due date incurring interest and penalty charges. These charges remained unpaid at June 30, 2012.

Recommendation – The Agency should create and maintain controls to ensure quarterly payroll reports and deposits are filed promptly.

Response – After receiving notice of those amounts and remitting all monies owed, we have taken the steps to ensure that quarterly reports and deposits will be handled in a timely manner.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

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

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

3. Agency Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes were not submitted for publication within 20 days following the adjournment of the meeting as required by Chapter 28E.6 of the Code of Iowa.

   Recommendation – Minutes should be available for publication within 20 days following each meeting.

   Response – The Agency will publish minutes within 20 days following each meeting.

   Conclusion – Response accepted.

4. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa. However, the Agency does not have an approved written investment policy or resolution approving each financial institution as a depository of public funds.

   Recommendation – The Agency should take the necessary steps to draft and approve an investment policy incorporating guidelines specified in Chapter 12B and Chapter 12C of the Code of Iowa. The Agency should also draft and approve a written resolution distinctly naming each depository approved, and specify the maximum amount that may be kept on deposit in each depository.

   Response – The Agency is in the process of developing a resolution to address these items.

   Conclusion – Response accepted.

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

Name, Title, and Business Connection	Transaction Description	Amount
Steve Roland, Spouse of Renee Roland, Secretary	Ground covering	$ 1,200

   In accordance with chapter 362.5(k) of the Code of Iowa, the above transactions do not appear to be a conflict of interest since the cumulative amounts were less than $2,500 during the fiscal year.

6. Solid Waste Tonnage Fees Retained - During the year ended June 30, 2012, the Agency used or retained solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

Other Findings Related to Required Statutory Reporting: (Continued)

7. Financial Assurance – The Agency has demonstrated financial assurance for closure and postclosure care by obtaining a local government guarantee as provided in Chapter 113.14(6) of the Iowa Administrative Code (IAC) Section 567.

   The total identified costs for closure and postclosure care is $1,009,013. Sac County has guaranteed this liability. In addition to this guarantee, the Agency has begun to accumulate resources to fund closure and postclosure costs, and at June 30, 2012, assets of $340,859 are restricted for this purpose.

   Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The Agency had made all required deposits as of June 30, 2012.

8. Publication of Salaries – Chapter 28E.6 of the Code of Iowa requires that employee's salaries be published annually. The Agency is currently not publishing the salaries.

   Recommendation – The Agency should publish the wages annually. They should consider using the W-2 wages and publish in conjunction with the publication of the minutes.

   Response – The Agency has published W-2 wages with the budget, but will make a practice to publish W-2 wages annually in conjunction with the publication of minutes following the end of the calendar year.

   Conclusion – Response accepted.