MONONA COUNTY SANITARY LANDFILL AGENCY

INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS AND
OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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Monona County Sanitary Landfill Agency

Officials

Name	Title	Representing
Vincent Willey	Chairperson	Monona County
Terence Virtue	Board Member	Monona County
Ivan Nielsen	Board Member	Member Cities
Keith Zediker	Board Member	Member Cities
Kenneth Casperson	Board Member	Appointed by the Agency
Joanne Fleck	Secretary – Treasurer	

Monona County Sanitary Landfill Agency

SCHROER
and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

January 9, 2013

Independent Auditors' Report

To the Members of the
Monona County Sanitary Landfill Agency:

We have audited the accompanying financial statements of Monona County Sanitary Landfill Agency as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

As described in Note 1, these financial statements are 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 statements referred to above present fairly, in all material respects, the cash basis financial position of Monona County Sanitary Landfill Agency as of and for the year ended 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 January 9, 2013 on our consideration of Monona County Sanitary Landfill Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

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Monona County Sanitary Landfill Agency
Independent Auditors' Report

Our audit was conducted for the purpose of forming an opinion on Monona County Sanitary Landfill Agency's basic financial statement. Management's Discussion and Analysis on pages 8 through 11 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.

Schroer & Associates, P.C.

Monona County Sanitary Landfill Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- The Agency's operating receipts increased 18.3%, or approximately $108,000, from fiscal 2011 to fiscal 2012.
- The Agency's operating disbursements increased 28.5%, or approximately $164,000, from fiscal 2011 to fiscal 2012.
- The Agency's net assets decreased 1.4%, or approximately $14,000, from June 30, 2011 to June 30, 2012.
- The Agency's interest income decreased 13.6%, or approximately $4,100, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statements on a 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 Agency's cash basis of accounting, revenues and expenses and the related assets and liabilities as recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader 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 the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Monona County Sanitary Landfill Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overviews of the Agency's financial activities.
- The Statement of Net Assets - Cash Basis presents information on the Agency's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.

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

- 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 AGENCY

Statements of Net Assets - Cash Basis

The Statement of Net Assets - Cash Basis presents the assets and net assets of the Agency at the end of the fiscal year. The Statement of Net Assets - Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Agency to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Agency's financial position by analyzing the increases and decreases in net assets.

Assets and Net Assets

	June 30, 2012	June 30, 2011
Assets		
Cash & cash equivalents:		
Restricted	$ 507,021	$ 499,021
Unrestricted	512,272	534,397
Net Assets	**$ 1,019,293**	**$ 1,033,418**
Net Assets:		
Restricted	$ 507,021	$ 499,021
Unrestricted	512,272	534,397
Total Net Assets	**$ 1,019,293**	**$ 1,033,418**

Nearly half (49%) of the Agency's net assets are restricted to be used for Closure/Post Closure care of the landfill site and transfer station. State and federal laws and regulations and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (51%) are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets increased $8,000, or 1.6%, during the year from interest earned on investments and transferring excess funds to unrestricted. Unrestricted net assets decreased $22,125, or 4.1%, during the year.

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

Changes in total net assets as presented on the Statement of Net Assets - Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis. 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.

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

Changes in Cash Basis Net Assets		
	Year Ended June 30,	
	2012	2011
Operating receipts:		
Tipping fees and gate charges	$ 270,109	$ 134,600
City contributions	264,846	259,296
County contributions	126,207	126,207
Recycling material	33,628	72,559
Miscellaneous	6,324	143
Total operating receipts	701,114	592,805
Operating disbursements:		
Salaries and benefits	271,478	258,160
Solid waste contract	214,828	206,871
Monitoring and inspection fees	4,525	6,135
Site maintenance	12,290	1,248
Site utilities	7,024	6,591
Fuel and oil	29,570	17,293
Legal and accounting	111,747	24,123
Insurance	37,746	21,505
Recycled material and disposal	17,238	12,498
Rent	950	3,350
Repairs and supplies	16,440	3,374
Office expense	3,946	4,439
Board member fees	7,700	5,807
Miscellaneous	1,698	2,176
Total operating disbursements	$ 737,180	$ 573,570
Excess (deficit) of operating receipts over (under) operating disbursements	(36,066)	19,235
Non-operating receipts (disbursements):		
Interest on investments	26,117	30,210
Equipment and vehicles	(4,176)	(37,937)
Net non-operating receipts (disbursements)	21,941	(7,727)
Net change in cash basis net assets	(14,125)	11,508
Net assets cash basis, beginning of year	1,033,418	1,021,910
Net assets cash basis, end of year	$ 1,019,293	$ 1,033,418

In fiscal 2012, operating receipts increased by $108,309 or 18.3%. The increase was due, primarily, from increased tipping fees and gate charges from the natural disaster cleanup in the area. In fiscal 2012, operating disbursements increased by $163,610, or 28.5%, due, in part, to labor, fuel, solid waste contract, repairs and other expenses.

LONG TERM DEBT

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

ECONOMIC FACTORS

Monona County Sanitary Landfill Agency continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities require constant maintenance and upkeep.
- Equipment has been and will be purchased by the Agency. It will be an on going challenge to maintain equipment and technology at a reasonable cost.

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

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Monona County Sanitary Landfill Agency, Turin, IA.

Monona County Sanitary Landfill Agency

Basic Financial Statements

Monona County Sanitary Landfill Agency
Statement of Net Assets – Cash Basis
June 30, 2012

Assets

Cash & pooled investments:		
Restricted	$	507,021
Unrestricted		512,272
Total assets	$	1,019,293

Net Assets

Restricted for:		
Transfer Station Closure/Postclosure Fund	$	13,377
Landfill Closure/Postclosure Fund		493,644
Total restricted net assets		507,021
Unrestricted		512,272
Total net assets	$	1,019,293

See notes to financial statements

Monona County Sanitary Landfill Agency
Statement of Cash Receipts, Disbursements and
Changes in Net Assets – Cash Basis
Year ended June 30, 2012

Operating receipts:		
Tipping fees and gate charges	$	270,109
City contributions		264,846
County contributions		126,207
Recycling		33,628
Miscellaneous		6,324
Total operating receipts		701,114
Operating disbursements:		
Salaries and benefits		271,478
Solid waste contract		214,828
Monitoring and inspection fees		4,525
Site maintenance		12,290
Site utilities		7,024
Fuel and oil		29,570
Professional fees		111,747
Insurance		37,746
Recycled materials and disposal		17,238
Rent		950
Repairs and supplies		16,440
Office expense		3,946
Board member fees		7,700
Miscellaneous		1,698
Total operating disbursements		737,180
Excess of operating receipts over operating disbursements		(36,066)
Non-operating receipts (disbursements):		
Interest on investments		26,117
Purchase of equipment and vehicles		(4,176)
Net non-operating receipts (disbursements)		21,941
Net change in cash basis net assets		(14,125)
Cash basis net assets, beginning of year		1,033,418
Cash basis net assets, end of year	$	1,019,293

See notes to financial statements

NOTE (1) Summary of Significant Accounting Policies

Monona County Sanitary Landfill Agency was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain landfill and recycling facilities in Monona County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of two representatives from the member cities, two representatives from Monona County, and one representative chosen by a majority of the designated representatives. The member cities are: Blencoe, Castana, Hornick, Mapleton, Moorhead, Onawa, Rodney, Soldier, Smithland, Turin, Ute and Whiting.

A. Reporting Entity

For financial reporting purposes, Monona County Sanitary Landfill Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The 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 acquisitions, operation and maintenance of government facilities and services supported by user charges.

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

NOTE (1) Summary of Significant Accounting Policies – Continued

C. Basis of Accounting

Monona County Sanitary Landfill Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency are 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 costs. Accordingly, the financial statements do 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 closure and postclosure care are classified as restricted.

NOTE (2) Cash and Pooled Investments

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.

Cash, which consists of cash and certificates of deposit, totaled $1,019,293 at June 30, 2012.

The Agency has no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

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) in 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.

NOTE (3) Pension and Retirement Benefits

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

Plan members are required to contribute 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 contributions to IPERS for the year ended June 30, 2012 was $17,331, equal to the required contribution for the year.

NOTE (4) Closure and Postclosure Care

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring 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.

NOTE (4) Closure and Postclosure Care Costs – Continued

These costs for the Monona County Sanitary Landfill Agency have estimated to be $210,086 for closure and $291,450 for postclosure, for a total of $501,536 as of June 30, 2012. The estimated remaining life of the landfill is 3 years, with 4,200 tons of the landfill's capacity remaining at June 30, 2012.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated resources to fund these costs in full. They are reported as restricted net assets on the Statement of Net Assets – Cash Basis.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), if 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 elected to show financial assurance and has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in-period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

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

NP = next payment
CE = total required financial assurance
CB = current balance of the fund
Y = number of years remaining in the pay-in-period

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

NOTE (5) Transfer Station Closure Care

To comply with state regulations, the Agency is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

NOTE (5) Transfer Station Closure Care - Continued

To comply with state regulations, the Agency is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit transfer station owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Agency as of June 30, 2012 have been estimated at $11,880.

As of June 30, 2012, the Agency has restricted $13,377 as reported on the Statement of Net Assets – Cash Basis.

NOTE (6) Contingency

Every three years the Iowa Department of Natural Resources issues permits for sanitary landfill operations. At this time, the Agency has been issued an extension on their permit for their C & D (construction and demolition) operation.

The Agency indicated they would construct a new cell at the C & D site and continue the transfer station for both C & D and municipal solid waste operations.

NOTE (7) Risk Management

The Monona County Sanitary Landfill Agency is exposed to various risks of loss related to torts; theft; damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE (8) Solid Waste Hauling Contract

The Agency entered into a contract on October 25, 2002 effective November 1, 2002 for hauling solid waste. Under this contract the contractor will haul the Agency's solid waste from the Agency's transfer station to the contractor's landfill site at Jackson, Nebraska. During the year ended June 30, 2012 the contractor was paid $214,828. The Agency is obligated to fulfill the terms of this contract through the expiration date of this contract on December 1, 2012.

The fees for this service are based on tons hauled with the rate increasing by 2% cumulative over the first six years of the contract and will then be negotiated for the remainder of the contract. Due to the complexity of the contract pricing, future minimum payments cannot be reasonably determined.

NOTE (9) Concentration of Risk

Contributions recognized from Monona County and the City of Onawa represent 17% and 16%, respectively, of total operating receipts as of June 30, 2012.

Monona County Sanitary Landfill Agency

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

SCHROER and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

January 9, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Governmental Auditing Standards

To the Members of the
Monona County Sanitary Landfill Agency:

We have audited the accompanying financial statements of Monona County Sanitary Landfill Agency as of and for the year ended June 30, 2012, and have issued our report thereon, dated January 9, 2013. Our report expressed an unqualified opinion on the financial statements, which were 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 Monona County Sanitary Landfill Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Monona County Sanitary Landfill 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 Monona County Sanitary Landfill Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monona County Sanitary Landfill 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 that we consider to be material weaknesses.

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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 Monona County Sanitary Landfill Agency's financial statements 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 I-A-12, I-B-12, I-C-12, and I-D-12 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monona County Sanitary Landfill Agency's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations and contracts, and 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 that 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.

Monona County Landfill Agency's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit Monona County Landfill 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 Monona County Sanitary Landfill Agency and other parties to whom the Agency 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 Monona County Sanitary Landfill Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - During our review of internal controls, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Agency's financial statements. Generally, one individual has control over receipts, including collecting and depositing for which no compensating controls exist. Generally, one individual has control over disbursements, including posting, check signing and reconciling, for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review. This would also include adding a second signer to all checks written.

In addition, the Agency should consider methods to control cash receipts at the landfill.

Response – Currently, all expenditures are reviewed by the board members after the checks are signed. All receipts from the Landfill are recorded on numbered tickets which are reflected on each deposit slip. The Agency will analyze other procedures and personnel to determine the feasibility of additional control.

Conclusion – Response accepted.

I-B-12 Financial Reporting – During the audit, we identified a material amount of cashed certificates of deposit that were duplicated in the accounting records, and a material amount of income items misclassified in asset and expense accounts. Adjustments were subsequently made by the Agency to properly report the amounts in the Agency's financial statements.

Recommendation – The Agency should implement procedures to ensure all certificates of deposits are properly recorded and income and expenses are classified properly in the Agency's financial statements.

Response – We will maintain a certificates of deposit record and review the classification of income and expenses.

Conclusion – Response accepted.

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES (Continued):

I-C-12 Preparation of Payroll Tax Returns – During the audit, we discovered the quarterly payroll tax returns did not agree with the financial records. The variance resulted in wages and taxes being under reported on the payroll tax reports for the fiscal year.

Recommendation – The Agency should ensure the payroll tax returns agree with the financial records before being submitted to the governmental units. Any supplemental schedules kept outside of the accounting software also need to agree with the financial records. The Agency might consider purchasing a payroll service through the existing software to ensure accuracy of payroll tax returns.

Response – We will amend the payroll tax returns for the fiscal year under audit and ensure the payroll tax returns agree with the financial records in the future.

Conclusion – Response accepted.

I-D-12 Supporting Invoices – During the audit, we identified 3 transactions out of 62 transactions tested that were not supported by invoices and should have been.

Recommendation – The Agency should review and monitor procedures to ensure that all transactions are supported by invoices and invoices are retained in the Agency records.

Response – We will review our procedures for retaining invoices corresponding to each payment.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-1-12 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-2-12 Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

II-3-12 Agency Minutes – 11 out of 62 transactions tested should have been approved in the Agency minutes but were not.

Recommendation – The Agency should monitor procedures to insure all claims are properly approved.

Response – We will review our procedures. Claims were occasionally missed.

Conclusion – Response accepted

II-4-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

II-5-12 Solid Waste Tonnage Fees Retained – During the year ended June 30, 2012, the Agency used or retained the solid waste fees in accordance with Chapters 455B.310(2) of the Code of Iowa.

II-6-12 Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

Part II: Other Findings Related to Required Statutory Reporting:

II-6-12 Financial Assurance (Continued)

	Transfer Station	C & D Landfill	
	Closure	Closure	Postclosure
Total estimated costs for closure and postclosure care	$ 11,880	210,086	291,450
Less: Balance of funds held in local dedicated fund at June 30, 2011	12,431	200,280	286,310
	(551)	9,806	5,140
Divided by the number of years remaining in the pay-in-period	÷ 1	3	3
Required payment into local dedicated fund at June 30, 2012	(551)	3,269	1,713
Balance of funds held in the local dedicated fund at June 30, 2011	12,431	200,280	286,310
Balance of funds required to be held in the local dedicated fund at June 30, 2012	$ 11,880	203,549	288,023
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2012	$ 13,377	204,407	289,237

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit was made July 20, 2012.