

**NORTH CENTRAL IA REGIONAL
SOLID WASTE AGENCY**

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

JUNE 30, 2012

Table of Contents

	<u>Page</u>
Officials	1-2
Independent Auditor's Report	3
Management's Discussion and Analysis	4-7
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 8-9
Notes to Financial Statement	10-15
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Schedule of Findings	18-20

North Central IA Regional Solid Waste Agency

Officials

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

North Central IA Regional Solid Waste Agency

Officials

Name

Title

Mike Grell

Director of Landfill Operations

Deb Watson

Director of Recycling and Administration/Finance



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Members of the North Central IA Regional Solid Waste Agency:

We have audited the accompanying financial statement of the North Central IA Regional Solid Waste Agency (the 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 auditing standards generally accepted in the United States 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, the financial statement referred to above is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the North Central IA Regional Solid Waste Agency as of June 30, 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 November 27, 2012, on our consideration of the North Central IA Regional Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 4 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.

T. P. Anderson & Company, P.C.

November 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts increased 11.9%, or approximately \$389,000, from fiscal 2011 to fiscal 2012 due to increased tonnage and an increase in rates that went into effect July 1, 2011.
- ◆ Operating disbursements increased 12.3%, or approximately \$280,000, from fiscal 2011 to fiscal 2012 due mainly to the purchase of a compactor.
- ◆ Cash basis net assets increased 19.4%, or approximately \$1,088,000, 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 accounting principles generally accepted in the United States. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

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

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

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

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

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

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash

balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Gate fees from accepting solid waste, recycling sales, and member assessments generate the Agency's operating receipts. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2012 and June 30, 2011 are presented below:

<u>Changes in Cash Basis Net Assets</u>		
	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Operating receipts:		
Solid waste fees	\$ 3,047,061	2,661,377
Member assessments	319,228	342,269
Recycling sales	268,386	262,491
Miscellaneous	<u>42,030</u>	<u>21,557</u>
Total operating receipts	<u>3,676,705</u>	<u>3,287,694</u>
Operating disbursements:		
Salaries and wages	929,386	841,175
Equipment	170,979	231,271
Other	<u>1,467,393</u>	<u>1,214,934</u>
Total operating disbursements	<u>2,567,758</u>	<u>2,287,380</u>
Excess of operating receipts over operating disbursements	<u>1,108,947</u>	<u>1,000,314</u>
Non-operating receipts (disbursements):		
Interest on investments	3,208	5,188
Buy-in payments	98,784	98,784
Sale of assets	20,695	-
Cell development	(95,065)	(132,272)
Leachate collection system construction	<u>(48,709)</u>	<u>(15,030)</u>
Net non-operating receipts (disbursements)	<u>(21,087)</u>	<u>(43,330)</u>
Net change in cash basis net assets	1,087,860	956,984
Cash basis net assets, beginning of year	<u>5,606,058</u>	<u>4,649,074</u>
Cash basis net assets, end of year	<u>\$ 6,693,918</u>	<u>5,606,058</u>
Restricted for:		
Closure	\$ 509,825	451,121
Postclosure	3,556,377	3,145,421
DNR – recycle projects and landfill planning	<u>43,353</u>	<u>67,127</u>
Total restricted net assets	4,109,555	3,663,669
Unrestricted	<u>2,584,363</u>	<u>1,942,389</u>
Total cash basis net assets	<u>\$ 6,693,918</u>	<u>5,606,058</u>

In fiscal 2012, operating receipts increased by \$389,000, or 11.9%, over fiscal 2011. The increase was largely the result of a \$385,684 increase in solid waste fees. In fiscal 2012, operating disbursements increased by approximately \$280,000, or 12.3% over fiscal 2011.

A portion of the Agency's net assets, \$4,066,202 (61%), 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. \$43,353 (less than 1%), of the Agency's net assets is restricted for special recycling projects and landfill planning. The remaining net assets, \$2,584,363 (38%), are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets increased \$445,886, or 12%, during the year. The increase resulted from \$469,660 in deposits to the closure/postclosure accounts, offset by a net decrease of \$23,774 in the DNR-Recycling Project account. Unrestricted net assets increased \$641,974 during the year due primarily to increased gate fee volume in addition to the increase in rates that became effective July 1, 2011 (\$0.50 per cubic yard).

LONG-TERM DEBT

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

The Agency did, however, have an obligation to increase the required annual deposits to the closure/postclosure accounts by \$100,000 for the five years from 2008 through 2012, to satisfy the repayment of a 2008 transfer from these accounts. The Agency paid the remaining \$100,000 installment due under this agreement prior to June 30, 2012 as scheduled.

The Agency did sign a lease to purchase a compactor. Lease terms are \$13,543 per month, commencing in July 2011 and continuing for 36 months.

ECONOMIC FACTORS

The cash basis financial position of the Agency improved in the current fiscal year due to a full year of increased gate fees (due to the rate increase effective January 1, 2011). The current condition of the economy in the state continues to be a concern for Agency officials.

Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

In fiscal year 2013, the Agency will have many decisions to make. Due to the volume of material being brought into the landfill, the current "cell" is anticipated to be full by the end of fiscal year 2014. The Department of Natural Resources (DNR) is requiring the Agency to build a new cell. The Agency's current cell uses a clay liner. The DNR will require the landfill to use a plastic liner for the new cell and the Agency is currently researching the associated costs.

The Agency anticipates the current fiscal year will be one of transition as it makes important decisions regarding the future of solid waste in this planning area.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Central IA Regional Solid Waste Agency, 2150 South 22nd Street, Fort Dodge, IA 50501.

EXHIBIT A

North Central IA Regional Solid Waste Agency
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets
Year Ended June 30, 2012

Operating receipts:	
Solid waste fees	\$ 3,047,061
Member assessments	319,228
Recycling sales	268,386
Miscellaneous	42,030
Total operating receipts	<u>3,676,705</u>
Operating disbursements:	
Salaries and benefits	929,386
Equipment replacement	170,979
Iowa Department of Natural Resources tonnage fee	221,762
Equipment rental	227,580
Fuel	387,139
Monitoring and inspection	171,113
Equipment maintenance	143,039
Building maintenance	31,104
Supplies	46,837
Legal and professional fees	7,022
Office expense and postage	9,498
Utilities	13,452
Advertising	18,695
Road maintenance	32,616
Insurance	76,055
Miscellaneous	81,481
Total operating disbursements	<u>2,567,758</u>
Excess of operating receipts over operating disbursements	1,108,947
Non-operating receipts (disbursements):	
Interest on investments	3,208
Buy-in payments	98,784
Sale of assets	20,695
Cell development	(95,065)
Leachate collection system construction	(48,709)
Net non-operating receipts (disbursements)	<u>(21,087)</u>
Net change in cash basis net assets	1,087,860
Cash basis net assets, beginning of year	<u>5,606,058</u>
Cash basis net assets, end of year	<u>\$ 6,693,918</u>

See Notes to Financial Statement

EXHIBIT A

North Central IA Regional Solid Waste Agency
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets
Year Ended June 30, 2012

Cash Basis Net Assets

Restricted For:

Closure	\$ 509,825
Postclosure Care	3,556,377
DNR - recycle projects and landfill planning	<u>43,353</u>
Total restricted net assets	4,109,555
Unrestricted	<u>2,584,363</u>
Total cash basis net assets	<u><u>\$ 6,693,918</u></u>

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2012

(1) Summary of Significant Accounting Policies

The North Central IA Regional Solid Waste Agency (the Agency) was formed in 1993 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities in Webster County on behalf of the units of government which are members of the Agency.

The governing body of the Agency, the Agency Board, is composed of one representative appointed by the governing body of each member of the Agency for each 10,000 in population or fraction thereof. The members of the Agency include Webster, Hamilton, and Humboldt Counties and the cities of Badger, Barnum, Blairsburg, Bradgate, Callender, Clare, Dakota City, Dayton, Duncombe, Eagle Grove, Ellsworth, Fort Dodge, Gilmore City, Gowrie, Harcourt, Hardy, Humboldt, Jewell, Kamrar, Knierim, Lehigh, Livermore, Manson, Moorland, Otho, Ottosen, Pioneer, Pomeroy, Randall, Renwick, Rockwell City, Rutland, Stanhope, Stratford, Thor, Vincent, Webster City, and Williams.

A. Reporting Entity

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

B. Basis of Presentation

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

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

C. Basis of Accounting

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

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2012

D. Net Assets

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

E. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through November 27, 2012, the date the financial statement was released.

(2) Cash and 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 ensure there will be no loss of public funds.

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

The Agency had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$6,489,902 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in IPAIT represents 97% of the Agency's cash basis net assets.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The Agency limits the amount that may be invested in any one issuer to \$10,000,000.

(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 years ended June 30, 2012, 2011, and 2010, were \$54,308, \$42,469, and \$41,631, respectively, equal to the required contributions for each year.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2012

(4) Closure and Postclosure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure.

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be \$456,631 for closure and \$3,606,900 for postclosure, for a total of \$4,063,531 as of June 30, 2012. The estimated remaining life of the landfill is 24 years, with approximately 62% of the landfill's capacity used 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 begun to accumulate resources to fund these costs and, at June 30, 2012, assets of \$4,066,202 are restricted for these purposes, of which \$509,825 is for closure and \$3,556,377 is for postclosure care. They are reported as restricted cash basis net assets on the Statement of Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-111.14 of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

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

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2012

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

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

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

Chapter 567-113.14(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.

(5) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2012, the unspent amounts retained by the Agency and restricted for the required purposes are as follows:

Special account – DNR – Landfill planning	\$ 25,567
Special account – DNR – Recycling	<u>17,785</u>
Total	<u>\$ 43,353</u>

(6) Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 members’ basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool’s general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year’s member contributions.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2012

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2012 were \$40,485.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries workmen's compensation insurance through the Iowa Municipalities Workers' Compensation Association in the amount of \$1,000,000.

(7) Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation payments at June 30, 2012 was \$14,164. This liability has been computed based on rates of pay in effect at June 30, 2012.

Employees who retire from the Agency, and those who leave the Agency after a period of employment of ten years or more, are paid the equivalent of up to 25% of their accumulated unused sick leave, not to exceed a total of 30 days. These accumulations are not recognized as disbursements by the Agency until used or paid. At June 30, 2012, Agency employees had \$67,108 in total unused sick leave.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The Agency operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 11 active and no inactive members in the plan. Participants must be age 55 or older at retirement.

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

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT

June 30, 2012

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 \$749 for single coverage and \$2,300 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the Agency contributed approximately \$141,111 and plan members eligible for benefits contributed \$35,278 to the plan.

(9) Lease Agreement

In July 2011, the Agency entered into a lease agreement to purchase a compactor. Payments are due each month in the amount of \$13,543, beginning in August 2011 and continuing for 36 months. At the end of the lease period, the Agency will have the option to buy the equipment for \$1. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 162,516
2014	<u>162,516</u>
Total	<u>\$ 325,032</u>

(10) Use of Postclosure Funds

During the year ended June 30, 2008, the Agency received authorization from the Department of Natural Resources Solid Waste Planning department to transfer \$500,000 from the postclosure account for the purpose of developing a new landfill disposal cell. The funds were to be repaid by increasing the annual deposit to the closure/postclosure account by \$100,000 for the five years from 2008 through 2012. The final deposit required under this agreement was made prior to June 30, 2012.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statement
Performed in Accordance with *Government Auditing Standards*

To the Members of the North Central IA Regional Solid Waste Agency:

We have audited the accompanying financial statement of the North Central IA Regional Solid Waste Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. 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 auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of North Central IA Regional Solid Waste Agency (the 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 our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, 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 a significant deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described at I-A-12 in the Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The 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 North Central IA Regional Solid Waste Agency's written responses to the 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 the Agency's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the North Central IA Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

November 27, 2012

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Financial Statement:

REPORTABLE CONDITIONS:

I-A-12 Segregation of Duties –One person has primary control over substantially all of the accounting duties.

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

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

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-B-12 Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- II-C-12 Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes, but were not.
- II-D-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 written investment policy were noted except that the amount on deposit with the Iowa Public Agency Trust (IPAiT) exceeded the limit set by the Board and approved in the Depository Resolution dated December 18, 2002. The Board specified a maximum balance of \$5,000,000; the Agency’s IPAiT balance at June 30, 2012 was \$6,489,902.

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

Cause – The Agency’s Depository Resolution that was approved on December 18, 2002 lists amounts which are insufficient to keep pace with the balances required in the postclosure and closure funds.

Effect - The Agency did not comply with their depository resolution and therefore did not comply with the requirements of Chapter 12C.2 of the Iowa Code.

Recommendation – We recommend that the Depository Resolution be reviewed annually, and updated as necessary to reflect the increasing balance requirements in the funds.

Client response – We will update our depository resolution.

Conclusion – Response accepted.

- II-E-12 Solid Waste Fees Retainage – During the year ended June 30, 2012, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- II-F-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:

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 456,631	\$ 3,606,900
Less: Balance of funds held in the local dedicated fund at June 30, 2011	<u>451,121</u>	<u>3,145,421</u>
	5,510	461,479
Divided by the number of years remaining in the pay-in-period	<u>÷ 1</u>	<u>÷ 1</u>
Required payment into the local dedicated fund for the year ended June 30, 2012	5,510	461,479
Balance of funds held in the local dedicated fund at June 30, 2011	<u>451,121</u>	<u>3,145,421</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2012	<u>\$ 456,631</u>	<u>\$ 3,606,900</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2012	<u>\$ 509,825</u>	<u>\$ 3,556,377</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly within 30 days of the close of each fiscal year. The required deposit was made July 31, 2012.

Recommendation – The Commission should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Administrative Code requirements. In addition, the Commission should ensure deposits are made within 30 days of the close of the fiscal year to comply with Iowa Department of Natural Resources rules and regulations.

Response – The North Central IA Regional Solid Waste Agency has our engineering consultants do the estimates for financial assurance. The engineers have been using figures as if the deposit had already had been made for the prior year, when in fact the deposit had not been made by June 30th. In the future, the Commission will hold the vote in May in order to get funds moved prior to the June 30th end of the fiscal year.

Conclusion – Response accepted.