

**WINNESHIEK COUNTY  
AREA SOLID WASTE AGENCY  
DECORAH, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2013**

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WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

<b>Name</b>	<b>Title</b>	<b>Representing</b>
Dave Pahlas	Chairperson	City of Decorah
Floyd Ashbacher	Vice-Chairperson	Winneshiek County
Leon Kipp	Secretary	City of Fort Atkinson
John Logsdon	Treasurer	Winneshiek County
Mark Kuhn	Member	Winneshiek County
Dean Thompson	Member	Winneshiek County
Ron Ludeking	Member	Winneshiek County
Don DiLaura	Member	City of Ossian
Dennis Wilkins	Member	City of Castalia
Dave Brenno	Member	City of Ridgeway
Mae Schmitt	Member	City of Jackson Junction
Michael Klimesh	Member	City of Spillville
Corey Meyer	Member	City of Calmar
Dave Hageman	Director	
T.J. Schissel	Assistant Manager	

INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS

Board Members  
Winneshiek County Area Solid Waste Agency  
Decorah, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Winneshiek County Area Solid Waste Agency, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Winneshiek County Area Solid Waste Agency as of June 30, 2013 and 2012, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 5 to the financial statements, the accompanying financial statements reflect liabilities for closure and postclosure care costs as estimated by the Agency. Actual closure and postclosure costs may be significantly higher depending upon the results of future events. Our opinion is not modified with respect to that matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 4c be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winneshiek County Area Solid Waste Agency's basic financial statements. The statements of revenues and expenses information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of revenues and expenses information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the statements of revenues and expenses information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014, on our consideration of Winneshiek County Area Solid Waste Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winneshiek County Area Solid Waste Agency's internal control over financial reporting and compliance.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
January 7, 2014

Winneshiek County Area Solid Waste Agency provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

#### FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 5.7% or \$87,685 from fiscal 2012 to fiscal 2013.
- The Agency's operating expenses decreased 13.0% or \$169,920 from fiscal 2012 to fiscal 2013. This change was primarily a result of a decrease in the estimated closure and postclosure cost accrued for the fiscal year.
- The Agency's net position increased 12.0% or \$548,744 from June 30, 2012 to June 30, 2013.

#### USING THIS ANNUAL REPORT

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

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

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

The statements of revenues, expenses, and changes in net position are the basic statements of activities for proprietary funds. These statements present information on the Agency's operating revenues and expenses, nonoperating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The statements of cash flows present the change in the Agency's cash during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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FINANCIAL ANALYSIS OF THE AGENCY

*Statements of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position for fiscal 2013 totaled approximately \$5,123,000. This compares to approximately \$4,574,000 for fiscal 2012. A summary of the Agency's net position as of June 30, 2013 and 2012 is presented below.

NET POSITION

	2013	2012
Current assets	\$ 1,778,397	\$ 2,475,671
Net property and equipment	961,160	915,625
Other assets	7,235,769	7,027,299
<b>Total assets</b>	<b>\$ 9,975,326</b>	<b>\$ 10,418,595</b>
Current liabilities	\$ 106,011	\$ 390,419
Noncurrent liabilities	4,746,677	5,454,282
<b>Total liabilities</b>	<b>4,852,688</b>	<b>5,844,701</b>
Net position		
Invested in capital assets, net of related debt	961,160	915,625
Restricted	2,485,972	2,466,719
Unrestricted	1,675,506	1,191,550
<b>Total net position</b>	<b>5,122,638</b>	<b>4,573,894</b>
<b>Total liabilities and net position</b>	<b>\$ 9,975,326</b>	<b>\$ 10,418,595</b>

The largest portion of the Agency's net position is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net position is invested in capital assets (e.g., cells, buildings, and equipment) or unrestricted (available for operations).

*Statements of Revenues, Expenses, and Changes in Net Position*

Operating revenues are received for fees from accepting solid waste, DNR fees, and miscellaneous other sources. Operating expenses are expenses paid to operate the landfill. Nonoperating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation and depletion, which allocates the cost of an asset over its expected useful life.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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FINANCIAL ANALYSIS OF THE AGENCY (Continued)

*Statements of Revenues, Expenses, and Changes in Net Position (Continued)*

A summary of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012 is presented below:

	2013	2012
<b>OPERATING REVENUES</b>		
Services and fees	\$ 1,416,579	\$ 1,506,051
DNR fees	35,493	36,567
Miscellaneous income	3,626	765
Total operating revenues	1,455,698	1,543,383
<b>OPERATING EXPENSES</b>		
Office expense	15,990	10,752
Landfill operations	505,306	493,338
Wages and benefits	234,542	243,850
Recycling	68,000	68,000
Legal and accounting	27,459	21,758
Engineering fees	82,287	96,314
Grants	10,210	10,622
Closure and postclosure care	190,178	359,258
Total operating expenses	1,133,972	1,303,892
Operating income	321,726	239,491
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Gain on sale of fixed assets	44,209	
Interest income	195,616	249,708
Interest expense	(12,807)	(48,656)
Net nonoperating revenue	227,018	201,052
Change in net position	548,744	440,543
Net position, beginning of year	4,573,894	4,133,351
Net position, end of year	\$ 5,122,638	\$ 4,573,894

The statements of revenues, expenses, and changes in net position reflect a positive year with an increase in the net position at the end of the fiscal year.

In fiscal 2013, operating revenues decreased by \$87,685 or 5.7%. The decrease was primarily a result of a decrease in the volume of collections. Operating expenses decreased by \$169,920 or 13.0%. This change was primarily a result of a decrease in the estimated closure and postclosure cost accrued for the fiscal year.

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

*Statements of Cash Flows*

The statements of cash flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes services and fees reduced by payments to employees and to suppliers. Cash used in capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At June 30, 2013, the Agency had approximately \$4,481,000 invested in capital assets, less accumulated depreciation/depletion of approximately \$3,520,000. Depreciation/depletion charges totaled \$221,258 for fiscal 2013. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2013, the Agency had no debt outstanding, a decrease of \$1,197,782 from 2012. On October 25, 2012 the outstanding debt was paid in full with proceeds from maturing operating certificates of deposit.

At June 30, 2013, the Agency had \$4,746,677 in accrued closure and postclosure care costs, an increase of \$190,178 from 2012. Additional information about the Agency's accrued closure and postclosure care costs is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

Winneshiek County Area Solid Waste 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 at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Changes in government regulations affecting closure and postclosure procedures and costs.

The Agency anticipates that fiscal year 2014 will be much like 2013. The Agency will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Winneshiek County Area Solid Waste Agency, 2000 140<sup>th</sup> Ave, Decorah, Iowa, 52101.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY  
 STATEMENTS OF NET POSITION  
 June 30, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 309,908	\$ 235,042
Investments	1,350,000	2,100,000
Accounts receivable	87,934	101,653
Accrued interest	1,753	8,296
Prepaid expenses	28,802	30,680
	1,778,397	2,475,671
<b>PROPERTY AND EQUIPMENT</b>		
Buildings	83,777	83,777
Equipment	1,585,909	1,572,736
Cell development and land improvements	2,811,159	2,811,159
	4,480,845	4,467,672
Less accumulated depreciation and depletion	3,519,685	3,552,047
	961,160	915,625
<b>OTHER ASSETS</b>		
Intangible assets, net of accumulated amortization	3,120	4,080
Investments - closure and postclosure	7,197,363	6,993,852
Accrued interest	35,286	29,367
	7,235,769	7,027,299
<b>Total assets</b>	<b>\$ 9,975,326</b>	<b>\$ 10,418,595</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt		\$ 300,000
Accounts payable	\$ 85,995	60,416
Accrued interest payable		3,413
Due to County	20,016	26,590
	106,011	390,419
<b>NONCURRENT LIABILITIES</b>		
Notes payable, less current maturities above		897,782
Accrued closure and postclosure care costs	4,746,677	4,556,500
	4,746,677	5,454,282
<b>Total liabilities</b>	4,852,688	5,844,701
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	961,160	915,625
Restricted for		
Closure	1,246,811	1,237,155
Postclosure	1,239,161	1,229,564
Unrestricted	1,675,506	1,191,550
	5,122,638	4,573,894
<b>Total net position</b>	5,122,638	4,573,894
<b>Total liabilities and net position</b>	<b>\$ 9,975,326</b>	<b>\$ 10,418,595</b>

See Notes to Financial Statements.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Services and fees	\$ 1,416,579	\$ 1,506,051
DNR fees	35,493	36,567
Miscellaneous income	3,626	765
<b>Total operating revenues</b>	<b>1,455,698</b>	<b>1,543,383</b>
<b>OPERATING EXPENSES</b>		
Office expense	15,990	10,752
Landfill operations	505,306	493,338
Wages and benefits	234,542	243,850
Recycling	68,000	68,000
Legal and accounting	27,459	21,758
Engineering fees	82,287	96,314
Grants	10,210	10,622
Closure and postclosure care	190,178	359,258
<b>Total operating expenses</b>	<b>1,133,972</b>	<b>1,303,892</b>
<b>Operating income</b>	<b>321,726</b>	<b>239,491</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Gain on sale of fixed assets	44,209	
Interest income	195,616	249,708
Interest expense	(12,807)	(48,656)
<b>Net nonoperating revenue</b>	<b>227,018</b>	<b>201,052</b>
<b>CHANGE IN NET POSITION</b>	<b>548,744</b>	<b>440,543</b>
<b>NET POSITION, beginning of year</b>	<b>4,573,894</b>	<b>4,133,351</b>
<b>NET POSITION, end of year</b>	<b>\$ 5,122,638</b>	<b>\$ 4,573,894</b>

See Notes to Financial Statements.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges for services	\$ 1,469,417	\$ 1,513,632
Cash payments to County for contract services	(241,116)	(236,047)
Cash payments to suppliers for services	(459,577)	(453,604)
	768,724	823,981
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(1,197,782)	(301,083)
Interest paid on long-term borrowing	(16,220)	(50,048)
	(1,214,002)	(351,131)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of fixed assets	45,066	
Purchase of fixed assets	(267,650)	(1,200)
	(222,584)	(1,200)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(1,809,570)	(3,008,792)
Proceeds from certificates of deposit	2,356,058	2,230,718
Interest received on investments	196,240	259,553
	742,728	(518,521)
Net cash provided by (used in) investing activities		
	74,866	(46,871)
<b>CASH, beginning of year</b>	235,042	281,913
<b>CASH, end of year</b>	\$ 309,908	\$ 235,042
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 321,726	\$ 239,491
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation, depletion, and amortization	222,218	252,273
Changes in:		
Accounts receivable	13,719	(29,751)
Prepaid expenses	1,878	(22,344)
Accounts payable	25,580	17,251
Due to County	(6,574)	7,803
Closure and postclosure accrual	190,177	359,258
	768,724	823,981
Net cash provided by operating activities	\$ 768,724	\$ 823,981
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 16,220	\$ 50,048
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Book value of equipment traded	\$ 2,265	\$ 1,443
Book value of equipment sold	\$ 857	\$ -

See Notes to Financial Statements.

WINNESHIK COUNTY AREA SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Winneshiek County Area Solid Waste Agency was created by and for the residents of Winneshiek County pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency leases a landfill site from Winneshiek County and operates a landfill serving Winneshiek County and, through signed agreements, the counties of Howard, Clayton and Fillmore (Minnesota).

The Agency is composed of one representative from each of the eight incorporated areas and five representatives from the unincorporated portion of Winneshiek County. The member cities and towns are Decorah, Calmar, Ossian, Castalia, Fort Atkinson, Ridgeway, Jackson Junction, and Spillville. Each member shall be entitled to one vote for each 1,000 people or fraction thereof residing in the area he or she represents as determined by the most recent general Federal Census.

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

b. Reporting Entity

A component unit is a legally separate entity, which satisfies one of the following criteria:

Elected officials of the primary government are financially accountable for the entity;

The nature and significance of the relationship between the entity and a primary government are such that to exclude the entity would render the primary government's financial statements misleading or incomplete.

Financial accountability exists if the primary government appoints a voting majority of the entity's governing body and if either the primary government can impose its will on the other entity or the potential exists for the other entity to provide specific financial benefits to or impose specific financial burdens on the primary government. Financial accountability may exist when another entity is fiscally dependent on the primary government even if the primary government does not appoint a voting majority of the entity's governing board. All government operations meeting these criteria are included in the primary government's financial statements.

Winneshiek County, the primary government, does not appoint a voting majority of Winneshiek County Area Solid Waste Agency's board and the Agency is not fiscally dependent on Winneshiek County. The Agency and County have determined that exclusion of the Agency's financial data from the County's financial statements do not render them misleading or incomplete. Therefore, the Agency is not a component unit of Winneshiek County.

1. Nature of Operations and Significant Accounting Policies (Continued)

c. Basis of Presentation

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

d. Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

Enterprise funds are accounted for on the economic resources measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their statements of net position. In reporting the financial activity on the government-wide statements, the Agency applies all applicable GASB pronouncements. As allowed in Section P80 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, the Agency has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

e. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency’s principal ongoing operations. Operating revenue is recognized at the point when solid waste has been delivered and weighed by the Agency. Operating expenses for the Agency include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Agency has in place a rolling five-year renewable usage agreement with four surrounding counties and one municipal entity. These agreements committed each entity to delivering at least 50% of their base year weight to the landfill. If the necessary weight is not delivered by a given entity, that entity will be charged 30% of its base year weight multiplied by the landfill fee in effect for the year the entity failed to deliver 50% of its base year weight.

1. Nature of Operations and Significant Accounting Policies (Continued)

e. Basis of Accounting (Continued)

The Agency accounts for closure and postclosure care costs in accordance with Governmental Accounting Standards Board Statement 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs."

f. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the statements of net position (previously referred to as net assets):

Cash, Investments and Cash Equivalents

Investments consist of non-negotiable certificates of deposit which are stated at cost. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. There were no cash equivalents at June 30, 2013.

Restricted Investments

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

Accounts Receivable, Recognition of Bad Debts

The Agency considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Accounts are considered uncollectible based on how recently payments have been received, on individual credit evaluations, and on specific circumstances of the customer.

Capital Assets

Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of \$2,500 and estimated useful lives in excess of two years. Management uses its discretion to capitalize capital assets with initial costs of less than \$2,500.

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

Asset Class	Estimated Useful Lives (in Years)
Equipment	3-10 years
Landfill improvements	15 years
Buildings	10-20 years

1. Nature of Operations and Significant Accounting Policies (Continued)

f. Assets, Liabilities and Net Investments (Continued)

Capital Assets (Continued)

The depletion rate is determined by the cell cost and its remaining capacity at year end. The rate per ton used for the years ended June 30, 2013 and 2012 was determined to be \$6.04 and \$6.04, respectively.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. A review of such assets of the Company has not indicated any material effect on the Company's financial position or results of operations.

g. Payroll and Related Costs

The Agency leases the services of employees from Winneshiek County to operate the landfill. The Agency reimburses the County for the direct labor costs and costs of benefits provided to these employees on a monthly basis.

h. Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Income Taxes

In accordance with Internal Revenue Code Section 115, the Agency is exempt from federal income taxes therefore no provision for income taxes is reflected in the financial statements.

j. Concentrations of Credit Risk

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of accounts receivable. The Agency grants credit to governmental and private sector customers who pay fees on a weekly basis, substantially all of whom are located in Northeast Iowa and Southern Minnesota.

k. Reclassification of Financial Statement Presentation

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation. The reclassifications had no effect on the increase in net position as previously reported.

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments

The Agency's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency's Board; 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 drainage districts.

The Agency's deposits, shown as cash and investments on the statements of net position, are comprised of the following at June 30, 2013 and 2012:

Account	2013	2012
Cash on hand	\$ 400	\$ 400
Cash in bank	309,508	234,642
Certificates of deposit	8,547,363	9,093,852
	\$ 8,857,271	\$ 9,328,894

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Property and Equipment

Major classifications of property and equipment as of June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Capital assets being depreciated and depleted		
Buildings and improvements	\$ 83,777	\$ 83,777
Equipment	1,585,909	1,572,736
Cell development	2,723,090	2,723,090
Land improvements	88,069	88,069
Total capital assets being depreciated and depleted	4,480,845	4,467,672
Less accumulated depreciation and depletion		
Buildings and improvements	83,777	83,585
Equipment	1,084,776	1,257,890
Cell development	2,284,857	2,150,167
Land improvements	66,275	60,405
Total accumulated depreciation and depletion	3,519,685	3,552,047
Total capital assets, net	\$ 961,160	\$ 915,625

3. Property and Equipment (Continued)

Depreciation expense charged to landfill operations totaled \$86,568 and \$108,844 for the years ended June 30, 2013 and 2012, respectively.

Depletion expense charged to landfill operations totaled \$134,690 and \$142,469 for the years ended June 30, 2013 and 2012, respectively.

4. Finance Agreements Payable and Landfill Leases

Winneshiek County acquired the landfill on April 1, 1992 by issuing general obligation bonds for the purchase price. The County subsequently leased the landfill to the Agency for the amount of the bond payments and a payment to the County's recycling operations. During the year ended June 30, 2004, the Agency made the final payments to Winneshiek County for the County's payment of the bonds.

Winneshiek County issued a \$2,100,000 general obligation bond on October 26, 2009 for the purpose of funding the future landfill closure and postclosure costs. The County loaned the bond proceeds to the Agency. The Agency used the bond proceeds to purchase certificates of deposit which are restricted for the purpose of the landfill closure and postclosure costs. The Agency repaid the County with earnings from its operating revenues. The Agency made payments to the County in the amount of \$300,000 of principal per year plus interest for three years, then repaid the remaining principle balance in October 25, 2012 with proceeds from maturing operating certificates of deposit.

The payments to Winneshiek County's recycling operations totaled \$68,000 and \$68,000 for the years ended June 30, 2013 and 2012, respectively. The Agency anticipates continuing to make annual payments to Winneshiek County's recycling operations in the amount of \$68,000.

The Agency has a ten year lease on the landfill property with Winneshiek County ending December 31, 2013. There are no lease payments due to the County. The Agency is responsible for all costs of improvements, repairs, maintenance, etc. associated with the property.

5. Accrued Closure and Postclosure Care Costs

The landfill site is currently regulated by the Iowa Department of Natural Resources (DNR).

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect 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.

5. Accrued Closure and Postclosure Care Costs (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists 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 current cost to purchase those services and equipment, and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The estimate of these costs for the Agency were revised as of March 9, 2012 and have been estimated at \$3,415,003 for closure and \$3,394,050 for postclosure, for a total of \$6,809,053 as of June 30, 2013, and the portion of the liability that has been recognized is \$4,746,677. There was no change in estimated closure and postclosure costs effective February 22, 2013 from the prior year calculation. The amounts allocated are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 11 years and the capacity used at June 30, 2013 is approximately 70 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated resources to fund these costs and, at June 30, 2013, assets of \$7,232,649 are restricted for these purposes, of which \$3,627,453 is for closure and \$3,605,196 is for postclosure care. They are reported as restricted investments on the statements of net position.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund as an additional funding mechanism. Chapter 567-113.14(8) of the IAC requires a dedicated fund that is restricted to pay for closure, postclosure or corrective action costs. The amount of funds restricted for the year ended June 30, 2013 is \$7,232,649.

6. Solid Waste Tonnage Fees Retained

Chapter 455B.310 of the Code of Iowa establishes a tonnage fee of three dollars and sixty-five cents per ton of solid waste. The Agency retains one dollar and fifty-five cents of the tonnage fee to be used as described in the following paragraph. The remainder of the tonnage fee is remitted to the Department of Natural Resources on a quarterly basis.

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. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure care plan, (3) development of a plan for the control and treatment of leachate, which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. The balance of the retained fees are used for the purpose of implementation of waste volume reduction and recycling required by the Agency's approved comprehensive plan. The fees retained may also be used for other environmental protection and compliance activities. As of June 30, 2013 and 2012, the Agency had no unspent amounts of the tonnage fees.

7. Contingencies

The Agency may be liable to comply with environmental cleanup laws and regulations should any contamination occur. The Agency has no insurance coverage for such an event. The amount of any such liability is not susceptible to estimation until it has been determined that contamination has occurred and the extent of the contamination can be determined. Accordingly, a provision for this contingency is not included in the accompanying financial statements.

In addition, closure and postclosure care costs might be higher than presented in the accompanying financial statements. See Note 5 for a further explanation.

8. Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 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 official's 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 300 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.

The Agency's property and casualty contributions to the risk pool are recorded as expenses from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the years ended June 30, 2013 and 2012 were \$31,563 and \$30,130, respectively.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured on by the Lexington Insurance Company.

8. Risk Management (Continued)

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. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the Agency's financial statements. As of June 30, 2013, 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 claim 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 percent 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.

9. Accounting Change

Governmental Accounting Standards Board Statements No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 3*; No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* were implemented during fiscal year 2013.

10. Subsequent Events

Management has evaluated subsequent events through January 7, 2014, the date on which the financial statements were available to be issued.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY  
 STATEMENTS OF REVENUES AND EXPENSES INFORMATION  
 For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>LANDFILL OPERATIONS</b>		
Appliance removal	\$ 6,589	\$ 7,075
Glass	1,205	1,112
Pumping charges	74,643	28,256
Fuel for equipment	33,877	33,448
Scale calibration	478	929
Rock	3,015	948
Miscellaneous	3,713	1,675
Repairs and maintenance	20,255	19,041
Shop supplies	1,654	1,524
Fences	54	-
Insurance	31,563	30,130
Tipping fees	83,581	84,281
Education and training	540	1,671
Depreciation and depletion	221,258	251,313
Amortization	960	960
Well testing and drilling	21,554	22,043
Cover dirt expense		8,336
Seeding	140	182
Dues and certificates	227	305
<b>Total landfill operations</b>	<b>\$ 505,306</b>	<b>\$ 493,338</b>

See Independent Auditor's Report.

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

Board Members  
Winneshiek County Area Solid Waste Agency  
Decorah, Iowa

We have audited, in accordance with the 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, the financial statements of the business-type activities of Winneshiek County Area Solid Waste Agency as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Winneshiek County Area Solid Waste Agency's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winneshiek County Area Solid Waste Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winneshiek County Area Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Winneshiek County Area Solid Waste Agency's internal control.

*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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency.

### Overlapping Duties

The Agency's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing state reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

### Recommendation

While we do recognize the Agency is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Agency be aware that this condition does exist.

### Response

Management is cognizant of this limitation.

### Conclusion

Response acknowledged.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winneshiek County Area Solid Waste Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Winneshiek County Area Solid Waste Agency's Response to Finding

Winneshiek County Area Solid Waste Agency's response to the finding identified in our audit is described above. Winneshiek County Area Solid Waste Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
January 7, 2014

## MANAGEMENT LETTER

### Board Members

Winneshiek County Area Solid Waste Agency  
Decorah, Iowa

In planning and performing our audit of the financial statements of Winneshiek County Area Solid Waste Agency for the year ended June 30, 2013, we considered the Agency's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the Agency's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1-6 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 7, 2014 contains our report on the Agency's internal control over financial reporting. This letter does not affect our report dated January 7, 2014, on the financial statements of the Winneshiek County Area Solid Waste Agency. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions.

### COMPLIANCE COMMENTS

1. Deposits and Investments  
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.
2. Questionable Expenditures  
We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense  
No expenditures of Agency money for travel expenses of spouses of Agency officials and/or employees were noted.
4. Board Minutes  
No transactions were found that we believe should have been approved in the Board Minutes but were not.
5. Solid Waste Fees Retainage  
During the year ended June 30, 2013, it appears the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

6. Financial Assurance

The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a closure and postclosure account as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. As of June 30, 2013, the estimated closure and postclosure care costs were fully funded by a dedicated investment account. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 3,415,003	\$ 3,394,050
Less balance of funds held in local dedicated fund at June 30, 2013	<u>(3,627,453)</u>	<u>(3,605,196)</u>
Dedicated funds in excess of estimated costs for closure and postclosure care	<u>\$ (212,450)</u>	<u>\$ (211,146)</u>

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Winneshiek County Area Solid Waste Agency during the course of our examination.

If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
January 7, 2014