WRIGHT COUNTY AREA LANDFILL AUTHORITY

CLARION, IOWA

JUNE 30, 2014

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Officials

Name	Title	Representing
Steve Whyte	Chairman (resigned September 18, 2013)	Goldfield
Jerry Cayler	Vice-Chairman (resigned September 18, 2013) Chairman (appointed September 18, 2013)	Galt
Mike Nail	Member Vice-Chairman (appointed September 18, 2013)	Clarion
Arlen Olson	Member (resigned December 11, 2013)	Alexander
Quentin Boelman	Member (appointed December 11, 2013)	Alexander
Earl Kalkwarf	Member	Belmond
Ray Kracht	Member	Dows
Dixie Revland	Member	Goodell
Berne Ketchum	Member	Rowan
Nelson Mathiesen	Member	Woolstock
Duane Sampson	Member (appointed September 18, 2013)	Goldfield
Karl Helgevold	Member	Wright County
Jim Meade	Manager	

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Certified Public Accountants and Consultants

Independent Auditor's Report

Members
Wright County Area Landfill Authority
Clarion, Iowa

Report on the Financial Statement
We have audited the accompanying statement of cash receipts, disbursements and changes in cash balance of the Wright County Area Landfill Authority as of June 30, 2014, and the related notes to the financial statement for the year then ended.

Management's Responsibility for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1 and determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statement 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 Authority'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 statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Wright County Area Landfill Authority as of June 30, 2014, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting
As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information
Management's Discussion and Analysis on pages 4 through 6, has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2014 on our consideration of the Wright County Area Landfill Authority'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* in considering Wright County Area Landfill Authority's internal control over financial reporting and compliance.

Hogan - Hansen

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Clear Lake, Iowa
August 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Wright County Area Landfill Authority (Authority) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Authority is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Authority's financial statement, which follows.

FINANCIAL HIGHLIGHTS

- The Authority's operating receipts increased 13%, or $86,705, from fiscal year 2013 to fiscal year 2014.
- The Authority's operating disbursements increased 12%, or $71,832, from fiscal year 2013 to fiscal year 2014.
- The Authority's cash balance decreased 7%, or $26,733, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

The Wright County Area Landfill Authority 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 of America. Basis of accounting refers to when financial events are recorded, such as the timing of recognizing revenue, expenses and the related assets and liabilities. Under the cash basis of accounting, revenue 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 revenue 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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of 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 Wright County Area Landfill Authority's financial statement. The annual report consists of the financial statement and other information, as follows:

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

The statement of cash receipts, disbursements and changes in cash balance presents information on the Authority's operating receipts and disbursements, nonoperating receipts and disbursements and whether the Authority's cash basis financial position has improved or deteriorated as a result of the year's activities.

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Authority. Operating disbursements are disbursements paid to operate the transfer station. Nonoperating receipts and disbursements are for insurance proceeds, interest on investments, equipment purchases and capital projects.

A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2014 and 2013 is presented below.

	2014	2013
Operating Receipts		
Member assessments	$ 249,000	$ 249,000
Other transfer station receipts	479,918	395,326
Percentage share from former members	7,800	6,694
Finance charges and miscellaneous	1,211	204
Total Operating Receipts	**737,929**	**651,224**
Operating Disbursements		
Salaries	133,412	121,284
Payroll tax and employee benefits	36,189	35,169
Insurance	28,118	21,410
Legal and accounting	5,650	3,775
Administrative	4,819	4,608
Utilities	6,823	3,694
Engineering and consulting	8,380	8,880
Fuel	43,541	41,308
Well testing and maintenance	2,586	2,926
Landfill of North Iowa disposal fees	237,680	220,235
Curbside recycling	108,693	102,599
Other recycling	6,757	2,544
Miscellaneous	1,695	1,738
Repairs and improvements	39,785	22,126
Total Operating Disbursements	**664,128**	**592,296**
Operating Receipts Over Operating Disbursements	**73,801**	**58,928**
Nonoperating Receipts (Disbursements)		
Interest on investments	1,082	1,809
Insurance proceeds - July, 2012 fires	158,950	432,978
Capital outlay - fire damage	(260,566)	(562,542)
Net Nonoperating Receipts (Disbursements)	**(100,534)**	**(127,755)**
Change in Cash Balance	**(26,733)**	**(68,827)**
Cash Balance - Beginning of Year	373,244	442,071
Cash Balance - End of Year	**$ 346,511**	**$ 373,244**
Cash Basis Fund Balance		
Restricted for transfer station closing costs	$ 24,860	$ 24,860
Unrestricted	321,651	348,384
Total Cash Basis Fund Balance	**$ 346,511**	**$ 373,244**

In fiscal year 2014, operating receipts increased by $86,705, or 13%, from fiscal year 2013. The increase was primarily a result of an $84,592 increase, or 21%, in transfer station receipts. The increase in transfer station receipts was a direct result of an increase in tonnages over the previous year. The previous year's tonnage was down primarily due to two fires on the Authority's premises in July, 2012. These fires caused damage to a building and equipment. The Authority had to shut down its facilities for over two weeks and had to restrict their inflow for two additional months in fiscal year 2013.

In fiscal year 2014, operating disbursements increased by $71,832, or 12%, from fiscal year 2013. The largest increases were in the repairs and improvements expense (25%) and landfill disposal fees (24%). These increases were primarily due to the Authority having to repair two used semi trucks in the prior year and due to the Authority being in full operation for the entire fiscal year.

The largest portion of the Authority's cash balance (93%) is the unrestricted portion which can be used to meet the Authority's obligations as they come due. The remaining cash balance (7%) is the restricted portion to be used for the closure of the transfer station at some point in the future. The state law requiring that these funds be set aside in a closure account became effective June 1, 2004. The unrestricted cash balance decreased $26,733, or 8%, during the year. The decrease was due to funds needed to pay for repairs and replacements due to the July, 2012 fires and equipment repairs as well as an increase in landfill disposal fees. The restricted cash balance did not change during the year.

LONG-TERM DEBT

At June 30, 2014, the Authority had no long-term debt outstanding.

ECONOMIC FACTORS

The financial position of the Authority decreased during the 2014 fiscal year. The major factor contributing to this decrease was related to an increase in nonoperating disbursements due to the July, 2012 fires previously discussed.

The Authority anticipates that its financial position will be stable in the coming fiscal year unless there is a dramatic increase in energy costs. In addition, as repairs related to the July, 2012 fires are ongoing, the Authority will continue to make disbursements for the related costs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wright County Area Landfill Authority at P.O. Box 173, Clarion, Iowa 50525.

Financial Statement

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

As of June 30, 2014

Operating Receipts	
Member assessments	$ 249,000
Other transfer station receipts	479,918
Percentage share from former members	7,800
Finance charges and miscellaneous	1,211
Total Operating Receipts	**737,929**
Operating Disbursements	
Salaries	133,412
Payroll tax and employee benefits	36,189
Insurance	28,118
Legal and accounting	5,650
Administrative	4,819
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Curbside recycling	108,693
Other recycling	6,757
Miscellaneous	1,695
Repairs and improvements	39,785
Total Operating Disbursements	**664,128**
Operating Receipts Over Operating Disbursements	**73,801**
Nonoperating Receipts (Disbursements)	
Interest on investments	1,082
Insurance proceeds - July, 2012 fires	158,950
Capital outlay - fire damage	(260,566)
Net Nonoperating Receipts (Disbursements)	**(100,534)**
Change in Cash Balance	**(26,733)**
Cash Balance - Beginning of Year	373,244
Cash Balance - End of Year	**$ 346,511**
Cash Basis Fund Balance	
Restricted for transfer station closing costs	$ 24,860
Unrestricted	321,651
Total Cash Basis Fund Balance	**$ 346,511**

See accompanying notes to the financial statement.

(1) Summary of Significant Accounting Policies and Other Matters

Nature of Business

The Wright County Area Landfill Authority is a separate legal entity incorporated under Chapter 28E of the Code of Iowa. Its purpose is to provide collection and disposal of solid waste generated within each member city, town or unincorporated portion of Wright County, Iowa, and to cooperate with public officials in preventing the contamination and pollution of the land, water and air resources of the area.

The governing body of the Authority consists of one representative from each member. The members of the Authority include Wright County and the cities of Alexander, Belmond, Clarion, Dows, Galt, Goldfield, Goodell, Rowan and Woolstock. Each member has one vote.

Reporting Entity

For financial reporting purposes, the Wright County Area Landfill Authority has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Authority 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 Authority are such that exclusion would cause the Authority’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 Authority 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 Authority. The Wright County Area Landfill Authority has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Authority 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.

Measurement Focus

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

Basis of Accounting

The Wright County Area Landfill Authority maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Authority 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 payable for closure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Authority in accordance with accounting principles generally accepted in the United States of America.

Cash Basis Fund Balance

Funds set aside for payment of transfer station closure care are classified as restricted.

(1) Summary of Significant Accounting Policies and Other Matters

Use of Estimates
Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses.

Cash and Certificates of Deposit
The Authority's deposits in banks as of June 30, 2014 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds. The Authority has a written investment policy and 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 members of the Authority and the Treasurer of the State of Iowa; 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.

As of June 30, 2014, the Authority had no investments.

(2) Pension and Retirement Benefits

The Authority 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 5.95% of their annual covered salary and the Authority is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Authority’s contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were $11,917, $10,515 and $9,606, respectively, equal to the required contributions for each year.

(3) Other Post-Employment Benefits (OPEB)

Plan Description
The Authority operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees. There are three active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

(3) Other Post-Employment Benefits (OPEB)

Funding Policy

The contribution requirements of plan members are established and may be amended by the Authority. The Authority currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the Authority and plan members is $455 for single coverage. For the year ended June 30, 2014, the Authority contributed $9,464 and plan members eligible for benefits did not contribute to the plan. Retirees are required to pay 100% of their monthly premiums; however, there were no retirees in the plan during the year ended June 30, 2014.

(4) Estimated Closure and Postclosure Care Costs

To comply with federal and state regulations, the Authority 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 30-year care requirements for all municipal solid waste landfills which receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill. The EPA requirements provide when a landfill stops accepting waste, it must be covered with a minimum of 24 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 30 years.

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

The Authority ceased operations at its landfill in Wright County on July 1, 1994. The landfill was covered with dirt in compliance with EPA requirements during the year ended June 30, 1995. The Authority must monitor the landfill for contamination for the next 11 years. The Authority does not have an estimate of postclosure costs for the next 11 years. Per the 28E agreement, Wright County and each participating city have agreed to share in the postclosure costs of the Wright County Landfill which are paid as incurred.

(5) Transfer Station Closure Care

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

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

The total closure care costs for the Authority as of June 30, 2014 were estimated to be $24,860. The balance has been restricted and is fully funded as of June 30, 2014.

(6) Risk Management

The Wright County Area Landfill Authority is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 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 casualty 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 estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Authority'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 Authority's annual contributions to the Pool for the year ended June 30, 2014 were $20,939.

(6) Risk Management

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location. Property risks exceeding $150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Authority's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Authority's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

(7) Subsequent Event

Management has evaluated subsequent events through August 19, 2014, the date which the financial statement was available to be issued.

(8) Contingencies

As of June 30, 2014, the Authority had an estimated $100,000 of expenses to be paid related to the July, 2012 fire damage. The Authority's insurance company is continuing litigation and attempting to recover these costs for the Authority.

(9) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

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

Members
Wright County Area Landfill Authority
Clarion, Iowa

We have audited, in accordance with the 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, the financial statement of the Wright County Area Landfill Authority as of and for the year ended June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated August 19, 2014. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Wright County Area Landfill Authority'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Wright County Area Landfill Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wright County Area Landfill Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified deficiencies in internal control that we consider to be material weaknesses.

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 Authority's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 14-IC-1 and 14-IC-2 be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wright County Area Landfill Authority's financial statement is free of 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*. However, we noted certain immaterial instances of noncompliance or other matters which are described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Authority. 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.

Wright County Area Landfill Authority's Responses to Findings

The Wright County Area Landfill Authority's responses to findings identified in our audit are described in the accompanying schedule of findings. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hogan - Hansen

HOGAN - HANSEN

Clear Lake, Iowa
August 19, 2014

Schedule of Findings

Year Ended June 30, 2014

Part I: Findings Related to the Financial Statement

Instances of Noncompliance
There were no reported instances of noncompliance.

Internal Control Deficiencies

14-IC-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person was responsible for almost all accounting functions, including preparing and posting general journal entries. The potential effect of this material weakness is an error occurring or fraudulent activity being committed and not being detected by management. We realize that with a limited number of employees, segregation of duties is difficult. However, the Authority should review its control procedures to obtain the maximum internal control possible under the circumstances.

Current Year Finding - We reiterate our prior year finding.

Auditor's Recommendation - We reiterate our prior year finding.

Authority's Response - We are aware of the lack of segregation of duties. We are compensating for this by requiring two signatures on checks over $1,000 and by reviewing bank statement transactions and financial reports at Board meetings.

Auditor's Conclusion - Response accepted.

14-IC-2 Financial Statement Preparation

Prior Year Finding and Recommendation - The Authority does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in many entities of this size, the Authority has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply cash basis accounting principles in preparing the financial statement and the related disclosures. The potential effect of this material weakness is that there could be material errors in the financial statements which would not be discovered by management. We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Current Year Finding - We reiterate our prior year finding.

Auditor's Recommendation - We reiterate our prior year finding.

Authority's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft the financial statement and disclosures.

Auditor's Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting

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

14-C-2 **Travel Expense** - No disbursements of the Authority money for travel expenses of spouses of Authority officials or employees were noted.

14-C-3 **Authority Minutes** - No transactions were found that we believe should have been approved in the Authority minutes but were not. However, the schedule of bills approved for one month tested was not published as required by Chapter 28E.6(3) of the Code of Iowa.

Auditor's Recommendation - The Authority should ensure the schedule of bills approved are published as required.

Authority's Response - We will publish the appropriate schedule of bills in the future as required.

Auditor's Conclusion - Response accepted.

14-C-4 **Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Authority's investment policy.

14-C-5 **Solid Waste Fees Retained** - The Authority does not operate a landfill.

14-C-6 **Financial Assurance** - The Authority does not operate a landfill. The Authority's landfill was closed prior to the financial assurance requirements. Postclosure costs related to the landfill are paid as incurred by the members of the Authority.

The Authority does operate a transfer station. As of June 30, 2014, the estimated closing costs for the transfer station were $24,860. The Authority has demonstrated financial assurance for the estimated closing costs by establishing a local government dedicated fund. The dedicated fund balance was $40,872 as of June 30, 2014.