

PRAIRIE SOLID WASTE AGENCY

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

Year Ended June 30, 2014

PRAIRIE SOLID WASTE AGENCY
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PRAIRIE SOLID WASTE AGENCY
OFFICIALS
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Nancy Louden	Chairperson	City of Creston
Terry Gilbert	Vice-Chairperson	City of Shannon City
Ron Riley	Member	Union County
Ruth Eivins	Member	City of Macksburg
Jeff Burger	Member	City of Afton
Denny Wimmer	Member	City of Arispe
Curt Angell	Member	City of Cromwell
Randy Wacha	Member	City of Lorimor
Skip Mitchell	Member	City of Thayer
Amy Schultes	Office Manager	

INDEPENDENT AUDITOR'S REPORT

To the Members of
Prairie Solid Waste Agency:

We have audited the accompanying financial statement of Prairie Solid Waste Agency as of and for the year ended June 30, 2014, and the related notes to financial statement.

Management's Responsibility for the Financial Statements

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. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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 Agency'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 Agency'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Prairie Solid Waste Agency 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 U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 4 through 7, 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 November 8, 2014, on our consideration of the Prairie Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Prairie Solid Waste Agency's internal control over financial reporting and compliance.

D. Napier, Smolgrass, Mikkelsen + Co., P.C.

November 8, 2014

PRAIRIE SOLID WASTE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Prairie Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Prairie Solid Waste Agency (PSWA) is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Agency's financial statement which follows.

2014 FINANCIAL HIGHLIGHTS

- Operating receipts decreased 5%, or approximately \$66,000, from fiscal 2013 to fiscal 2014.
- Operating disbursements increased 1%, or approximately \$7,000, from fiscal 2013 to fiscal 2014.

USING THIS ANNUAL REPORT

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in 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 the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

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

- Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the PSWA's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance – Cash Balance presents information on the PSWA's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

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

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of PSWA. Operating disbursements are disbursements paid to operate the landfill and transfer station. Non-operating receipts and disbursements are for interest on investments. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2014 and June 30, 2013 are presented below:

	<u>Changes in Cash Balance</u>	
	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
Operating receipts:		
Solid waste fees	\$1,149,446	\$1,263,754
City assessments	62,030	63,935
Recycling sales	58,103	5,917
Miscellaneous	470	2,755
Total operating receipts	<u>\$1,270,049</u>	<u>\$1,336,361</u>
Operating disbursements:		
Salaries and benefits	\$ 138,323	\$ 76,405
Solid waste fees	271,703	292,648
Transportation/operating fees	577,518	633,004
Iowa Department of Natural Resources tonnage fee	75,504	51,859
Regulatory assistance/engineering	30,731	30,457
Recycling	84,997	34,039
Equipment maintenance	5,491	19,964
Ground water monitoring/inspecting	13,619	70,704
Road gravel	1,520	1,175
Legal, accounting and auditing	16,213	14,013
Office equipment and supplies	8,122	3,612
Utilities	16,870	13,533
Closure	1,103	---
Insurance	18,572	15,569
Land rent	4,900	4,900
Miscellaneous	12,444	8,881
Total operating disbursements	<u>\$1,277,630</u>	<u>\$1,270,763</u>

Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (7,581)	\$ 65,598
Non-operating receipts (disbursements):		
Interest on investments	\$ 5,176	\$ 7,217
Recycling equipment	(80,303)	---
Building and grounds	---	(12,391)
Debt service payments	(115,324)	(112,684)
Other losses	---	(1,293)
Net non-operating receipts (disbursements)	<u>\$ (190,451)</u>	<u>\$ (119,151)</u>
Net change in cash balance	\$ (198,032)	\$ (53,553)
Cash balance, beginning of year	<u>1,347,254</u>	<u>1,400,807</u>
Cash balance, end of year	<u>\$1,149,222</u>	<u>\$1,347,254</u>
Cash basis fund balance:		
Restricted for:		
Post closure care	\$ 756,499	\$ 766,197
Debt service	82,443	74,133
Transfer station	<u>23,143</u>	<u>24,138</u>
Total restricted fund balance	\$ 862,085	\$ 864,468
Unrestricted	<u>287,137</u>	<u>482,786</u>
Total cash basis fund balance	<u>\$1,149,222</u>	<u>\$1,347,254</u>

LONG-TERM DEBT

PSWA has a 20-year bond payment for the construction of our transfer station.

ECONOMIC FACTORS

- Annual deposits required to be made to the postclosure account based on constantly changing cost estimates.
- High fuel prices play a huge factor in transferring our solid waste to Metro Waste Authority East Landfill which is 180 miles round trip.

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

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Prairie Solid Waste Agency, PO Box 227, Creston, IA 50801.

FINANCIAL STATEMENT

PRAIRIE SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
For the Year Ended June 30, 2014

OPERATING RECEIPTS:

Solid waste fees	\$ 1,149,446
City assessments	62,030
Recycling sales	58,103
Miscellaneous	470
TOTAL OPERATING RECEIPTS	<u>\$ 1,270,049</u>

OPERATING DISBURSEMENTS:

Salaries and benefits	\$ 138,323
Solid waste fees	271,703
Transportation/operating fees	577,518
Iowa Department of Natural Resources tonnage fee	75,504
Regulatory assistance/engineering	30,731
Recycling	84,997
Equipment maintenance	5,491
Ground water monitoring/inspecting	13,619
Road gravel	1,520
Legal, accounting and auditing	16,213
Office equipment and supplies	8,122
Utilities	16,870
Closure	1,103
Insurance	18,572
Land rent	4,900
Miscellaneous	12,444
TOTAL OPERATING DISBURSEMENTS	<u>\$ 1,277,630</u>

DEFICIENCY OF OPERATING RECEIPTS UNDER
OPERATING DISBURSEMENTS

\$ (7,581)

NON-OPERATING RECEIPTS (DISBURSEMENTS):

Interest on investments	\$ 5,176
Recycling center equipment	(80,303)
Debt service payments	(115,324)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>\$ (190,451)</u>

The Notes to Financial Statements are an integral part of this statement.

PRAIRIE SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
For the Year Ended June 30, 2014

CHANGE IN CASH BALANCE	\$ (198,032)
Cash balance, beginning of year	<u>1,347,254</u>
Cash balance, end of year	<u><u>\$ 1,149,222</u></u>
CASH BASIS FUND BALANCE:	
Restricted for:	
Postclosure care	\$ 756,499
Debt service	82,443
Transfer station	<u>23,143</u>
Total restricted fund balance	\$ 862,085
Unrestricted	<u>287,137</u>
TOTAL CASH BASIS FUND BALANCE	<u><u>\$ 1,149,222</u></u>

The Notes to Financial Statements are an integral part of this statement.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies

The Prairie Solid Waste Agency, formerly the Union County Solid Waste Management Commission, was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities in Union County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each member. The members of the Agency include Union County and the cities of Afton, Arispe, Creston, Cromwell, Lorimor, Macksburg, Shannon City and Thayer. Each member of the Agency has one vote, except for Union County and the City of Creston, which each have six votes. Currently, the Agency contracts for landfill operations.

Reporting Entity

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

Basis of Presentation

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

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

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Restricted Cash Basis Fund Balance

Funds set aside for payment of postclosure care costs, transfer station costs, and debt service requirement are classified as restricted.

Note 2. Cash and Investments

The Agency's deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Note 3. Pension and Retirement Benefits

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

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3. Pension and Retirement Benefits

Plan members are required to contribute 5.95% of their annual salary and the Agency is required to contribute 8.93% of annual covered payroll. The Agency's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$9,804, \$5,093, and \$4,804, respectively, equal to the required contributions for the year.

Note 4. Closure and Postclosure Care

Landfill

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

Government Accounting Standards Board Statement No. 18 required landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure.

Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Prairie Solid Waste Agency have been estimated to be \$755,070 for the postclosure care and \$23,143 for the transfer station closure.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 4. Closure and Postclosure Care (continued)

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Prairie Solid Waste Agency has begun to accumulate resources to fund these costs and, at June 30, 2014, assets of \$779,642 are restricted for the transfer station closure and postclosure care. They are reported as restricted cash basis fund balances on the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

Chapter 567-113.14 of the Iowa Administrative Code requires entities to demonstrate financial assurance for unfunded closure and postclosure care costs.

Transfer Station

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

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

Note 5. Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2014, the Agency had no unspent tonnage fees.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6. Risk Management

The Prairie Solid Waste Agency is exposed to various risks of loss related to torts, theft, and damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Contracts

Solid Waste Disposal Agreement

The Agency entered into an agreement with Metro Waste Authority for the acceptance of solid waste from the Agency for \$16.76 per ton. The agreement is in effect from October 1, 2007 to September 30, 2016. During the year ended June 30, 2014, the Agency paid \$271,703 under the agreement.

Transportation and Operations Agreement

The Agency entered into an agreement with Brian Gay Construction for the operation of the transfer station and the transportation of solid waste to Metro Waste Authority. The agreement for the operations is in effect from January 1, 2008 through December 31, 2015 and the contractor is paid \$5,000 per month for the service. The agreement for the transportation of the solid waste is for \$25 per ton plus adjustments for changes in fuel prices and is in effect from January 1, 2008 through December 31, 2015. During the year ended June 30, 2014, the Agency paid the contractor \$577,518 under the contract.

Note 8. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation payments at June 30, 2014 was \$15,183. The liability has been computed based on rates of pay in effect at June 30, 2014.

Note 9. Major Customer

A material part of the Agency's business is dependent upon one customer, the loss of which could have a materially adverse effect on the Agency's revenues. During the year ended June 30, 2014, this customer accounted for approximately 52% of the tipping fees.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Lease Agreement

The Agency has entered into a lease agreement with Union County for its landfill and transfer station site for \$4,900 annual lease payments. The lease is self-renewing for twelve month periods unless written notice is given by either party within 180 days of the end of a fiscal year.

Note 11. Bonds Payable

On July 24, 2007, the Agency entered into a note agreement for the issuance of Solid Waste Disposal Revenue Bonds for the construction of a transfer station in the amount of \$1,500,000 and the notes have interest rates of 4.10% to 4.375%. Interest payments are due May 25 and November 25. Principal payments are due May 25. The balance at June 30, 2014, is \$1,105,000.

A summary of the Agency's June 30, 2014, revenue bonds is as follows:

Year ending June 30,	Revenue Bonds	
	Principal	Interest
2015	\$ 65,000	\$ 47,059
2016	70,000	44,394
2017	70,000	41,489
2018	75,000	38,584
2019	75,000	35,471
2020-2024	435,000	126,276
2025-2027	315,000	28,000
Totals	\$1,105,000	\$361,273

Interest expense for the year ended June 30, 2014, was \$49,724.

Revenue Bonds:

The resolution providing for the issuance of the revenue bonds include the following provisions:

- a. That the bonds will be redeemed from the future net earnings of the Agency and that the bondholders hold a lien against future earnings of the funds.
- b. That sufficient monthly cash transfers shall be made to a separate sinking fund restricted for the purpose of making bond interest and principal payments when due.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 11. Bonds Payable (continued)

As of June 30, 2014, transfers have been made in amounts adequate on a cumulative basis, to meet the foregoing requirements, and the Agency complied with the provisions.

The Agency is required to set aside in a sinking fund the amounts needed to meet the principal and interest payments annually for all the revenue bonds. The next five years sinking fund requirements are as follows:

Year Ending <u>June 30,</u>	
2015	\$112,059
2016	114,394
2017	111,489
2018	113,584
2019	110,471

Note 12. Other Debt

On September 4, 2013, the Agency entered into a financing agreement for the purchase of equipment in the amount of \$39,080 with an interest rate of 4.385%. Principal and interest payments are due annually on September 6. The balance due at June 30, 2014, is \$30,587.

A summary of the payments are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 7,162	\$ 1,341
2016	7,476	1,027
2017	7,803	699
2018	<u>8,146</u>	<u>357</u>
Totals	<u>\$30,587</u>	<u>\$ 3,424</u>

Note 13. Subsequent Events

In October 2014, the Agency Board approved an increase in the tipping fee of \$5 per ton to \$65 per ton effective January 1, 2015. The Board also approved an increase in the per capita fee of \$1.20 for a per capita fee of \$6.20.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 13. Subsequent Events (continued)

In October 2014, the Agency Board approved the transfer of the operating and hauling contract from Brian Gay Construction to HJC, LLC effective November 1, 2014. The contract terms will remain the same and the contract period for HJC, LLC is for November 1, 2014 through April 30, 2016.

Management has evaluated subsequent events through November 8, 2014, the date on which the financial statements were available to be issued.

Note 14. 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

To the Members of Prairie Solid Waste Agency:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statement of Prairie Solid Waste Agency as of and for the year ended June 30, 2014, and the related notes to financial statement, and have issued our report thereon dated November 8, 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 U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Prairie Solid Waste Agency's internal control over financial reporting to determine the audit procedures 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 Prairie Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Prairie 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2014, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Prairie Solid Waste Agency's Responses to Findings

Prairie Solid Waste Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Prairie Solid Waste Agency'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 for internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drapen, Smidgrass, Middelton + Co., P.C.

November 8, 2014

PRAIRIE SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

INTERNAL CONTROL DEFICIENCIES

2014-I-A Segregation of duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of the aspects of accounting internal controls which rely on adequate segregation of duties, for all reasonable purposes, are missing in the Agency.

Recommendation: We realize that it may not be economically feasible for Prairie Solid Waste Agency to employ additional personnel for the sole purpose of segregating duties, however, we feel it is our professional responsibility to bring the control deficiency to your attention. We would recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the Agency.

Response and corrective action planned: The Agency will segregate duties to the extent possible with the current number of employees. Additional review of the financial information will be performed by the Board to ensure transactions and duties are being performed in accordance with the procedures established by the Board.

Conclusion: Response acknowledged.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

PRAIRIE SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

2014-II-1 Questionable Disbursements: No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

2014-II-2 Travel Expense: No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

2014-II-3 Agency Minutes: Transactions were found that we believe should have been approved in the Agency minutes but were not.

The minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation: The Agency should ensure the minutes, including the schedule of bills allowed and gross salaries, are published as required.

Response and corrective action planned: The Agency will publish the meeting minutes and gross salaries as required.

Conclusion: Response acknowledged.

2014-II-4 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the commission's investment policy were noted.

2014-II-5 Solid Waste Tonnage Fees Retained: During the year ended June 30, 2013, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.

PRAIRIE SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

2014-II-6

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

	Transfer Station Closure	Postclosure
Total estimated costs	\$ 23,143	\$ 755,070
Balance in dedicated accounts 6/30/2013	23,143	743,054
	<u>\$ -</u>	<u>\$ 12,016</u>
Years remaining in pay-in period	1	1
Requirement to dedicated accounts 6/30/2014	\$ -	\$ 12,016
Balance in dedicated accounts 6/30/2013	23,143	743,054
Required balance in dedicated accounts 6/30/2014	<u>\$ -</u>	<u>\$ 755,070</u>
Agency dedicated accounts at 6/30/2014	\$ 23,143	\$ 756,499
Approved letter of credit	-	-
Agency dedicated accounts at 6/30/2014	<u>\$ 23,143</u>	<u>\$ 756,499</u>
Excess (deficit)	<u>\$ -</u>	<u>\$ 1,429</u>

The transfer station closure per the engineer has been included in the postclosure calculation.

The Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The required deposits for the year ended June 30, 2014, were properly deposited