

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

FINANCIAL REPORT

JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	4-4c
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	5
Statements of Revenues, Expenses, and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8-16
SUPPLEMENTARY INFORMATION	
Statements of Revenues and Expenses Information	
Landfill Operations	17
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 <i>GOVERNMENT AUDITING STANDARDS</i>	18-19
MANAGEMENT LETTER	20-21

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

Name	Title	Representing
Dave Pahas	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
John Beard	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
Ben VanHorn	Member	City of Spillville
Keith Frana	Member	City of Calmar
T.J. Schissel	Director	

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 then ended June 30, 2015 and 2014, 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 audits. We conducted our audits 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, 2015 and 2014, 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 6 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 audits were 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statements of revenues and expenses information is the responsibility of management and was derived from and relates 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 audits 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 is 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 December 30, 2015, 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
December 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. 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 .28% or \$4,241 from fiscal 2014 to fiscal 2015.

The Agency's operating expenses increased 13.49% or \$153,261 from fiscal 2014 to fiscal 2015. This change was primarily a result of an increase in closure and postclosure care, landfill operations, and engineering fees for the fiscal year.

The Agency's net position increased 5.9% or \$332,032 from June 30, 2014 to June 30, 2015.

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 presents information on the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 at the end of fiscal 2015 totaled approximately \$5,989,000. This compares to approximately \$5,657,000 at the end of fiscal 2014. A summary of the Agency's net position as of June 30, 2015, 2014, and 2013 is presented below.

NET POSITION

	2015	2014	2013
Current assets	\$ 3,252,541	\$ 2,535,114	\$ 1,778,397
Net property and equipment	662,237	744,395	961,160
Other assets	7,493,695	7,388,237	7,235,769
Total assets	\$ 11,408,473	\$ 10,667,746	\$ 9,975,326
Current liabilities	\$ 97,746	\$ 70,890	\$ 106,011
Noncurrent liabilities	5,321,759	4,939,920	4,746,677
Total liabilities	5,419,505	5,010,810	4,852,688
Net position			
Net investment in capital assets	527,237	744,395	961,160
Restricted	2,291,936	2,448,317	2,485,972
Unrestricted	3,169,795	2,464,224	1,675,506
Total net position	5,988,968	5,656,936	5,122,638
Total liabilities and net position	\$ 11,408,473	\$ 10,667,746	\$ 9,975,326

A significant 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 from fees received for accepting solid waste, DNR fees, and miscellaneous other sources. Operating expenses are expenses paid to operate the landfill. Nonoperating revenues and expenses are 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

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, 2015, 2014, and 2013 is presented below:

	2015	2014	2013
OPERATING REVENUES			
Services and fees	\$ 1,456,310	\$ 1,458,769	\$ 1,416,579
DNR fees	34,460	35,078	35,493
Miscellaneous income	951	2,115	3,626
Total operating revenues	1,491,721	1,495,962	1,455,698
OPERATING EXPENSES			
Office expense	15,382	15,134	15,990
Landfill operations	544,896	504,740	505,306
Wages and benefits	251,912	242,353	234,542
Recycling	68,000	68,000	68,000
Legal and accounting	26,098	21,105	27,459
Engineering fees	111,443	81,556	82,287
Grants	10,006	10,182	10,210
Closure and postclosure care	261,838	193,244	190,178
Total operating expenses	1,289,575	1,136,314	1,133,972
Operating income	202,146	359,648	321,726
NONOPERATING REVENUE (EXPENSE)			
Gain on sale of fixed assets			44,209
Interest income	129,886	174,650	195,616
Interest expense			(12,807)
Net nonoperating revenue	129,886	174,650	227,018
Change in net position	332,032	534,298	548,744
Net position, beginning of year	5,656,936	5,122,638	4,573,894
Net position, end of year	\$ 5,988,968	\$ 5,656,936	\$ 5,122,638

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 2015, operating revenues decreased by \$4,241 or .28%. Operating expenses increased by \$153,261 or 13.49%. This change was primarily a result of an increase in closure and postclosure care, landfill operations and engineering fees 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 the purchase of capital assets. Cash used in investing activities includes purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At June 30, 2015, the Agency had approximately \$4,410,000 invested in capital assets, less accumulated depreciation/depletion of approximately \$3,748,000. Depreciation/depletion charges totaled \$247,319 for fiscal 2015. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2015, the Agency had \$135,000 contract payable outstanding, a \$135,000 increase from 2014. Additional information about the Agency's long-term debt is presented in Note 5 to the financial statements.

At June 30, 2015, the Agency had \$5,201,759 in accrued closure and postclosure care costs, an increase of \$261,839 from 2014. Additional information about the Agency's accrued closure and postclosure care costs is presented in Note 6 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 2016 will be much like 2015. 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 140th Ave, Decorah, Iowa, 52101.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 356,756	\$ 90,439
Investments	2,756,695	2,350,633
Accounts receivable	107,909	63,769
Accrued interest	2,700	2,479
Prepaid expenses	28,481	27,794
Total current assets	3,252,541	2,535,114
PROPERTY AND EQUIPMENT		
Buildings	83,777	83,777
Equipment	1,356,507	1,350,233
Land	150,000	
Cell development and land improvements	2,819,470	2,811,159
	4,409,754	4,245,169
Less accumulated depreciation and depletion	3,747,517	3,500,774
Net property and equipment	662,237	744,395
OTHER ASSETS		
Investments - closure and postclosure	7,476,081	7,359,579
Accrued interest	17,614	28,658
	7,493,695	7,388,237
Total assets	\$ 11,408,473	\$ 10,667,746
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 62,821	\$ 50,920
Due to County	19,925	19,970
Current maturities of long-term debt	15,000	
Total current liabilities	97,746	70,890
NONCURRENT LIABILITIES		
Accrued closure and postclosure care costs	5,201,759	4,939,920
Contract payable, less current maturities above	120,000	
	5,321,759	4,939,920
Total liabilities	5,419,505	5,010,810
NET POSITION		
Net investment in capital assets	527,237	744,395
Restricted for:		
Closure	1,742,716	1,227,925
Postclosure	549,220	1,220,392
Unrestricted	3,169,795	2,464,224
Total net position	5,988,968	5,656,936
Total liabilities and net position	\$ 11,408,473	\$ 10,667,746

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, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Services and fees	\$ 1,456,310	\$ 1,458,769
DNR fees	34,460	35,078
Miscellaneous income	951	2,115
Total operating revenues	1,491,721	1,495,962
OPERATING EXPENSES		
Office expense	15,382	15,134
Landfill operations	544,896	504,740
Wages and benefits	251,912	242,353
Recycling	68,000	68,000
Legal and accounting	26,098	21,105
Engineering fees	111,443	81,556
Grants	10,006	10,182
Closure and postclosure care	261,838	193,244
Total operating expenses	1,289,575	1,136,314
Operating income	202,146	359,648
NONOPERATING REVENUE (EXPENSE)		
Interest income	129,886	174,650
CHANGE IN NET POSITION	332,032	534,298
NET POSITION, beginning of year	5,656,936	5,122,638
NET POSITION, end of year	\$ 5,988,968	\$ 5,656,936

See Notes to Financial Statements.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 1,447,582	\$ 1,520,127
Cash payments to County for contract services	(251,957)	(242,399)
Cash payments to suppliers for services	(517,291)	(485,244)
	678,334	792,484
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Issuance of long-term debt	135,000	
Purchase of fixed assets	(165,162)	(29,655)
	(30,162)	(29,655)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(2,574,009)	(5,686,657)
Proceeds from certificates of deposit	2,051,445	4,523,807
Interest received on investments	140,709	180,552
	(381,855)	(982,298)
Net increase (decrease) in cash	266,317	(219,469)
CASH, beginning of year	90,439	309,908
CASH, end of year	\$ 356,756	\$ 90,439
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 202,146	\$ 359,648
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation, depletion, and amortization	247,319	249,540
Changes in:		
Accounts receivable	(44,139)	24,165
Prepaid expenses	(687)	1,008
Accounts payable	11,901	(35,075)
Due to County	(44)	(46)
Closure and postclosure accrual	261,838	193,244
	\$ 678,334	\$ 792,484
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Book value of equipment traded	\$ 3,458	\$ 481

See Notes to Financial Statements.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Winneshiek County Area Solid Waste Agency (Agency) was created by and for the residents of Winneshiek County (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 liabilities, whether current or noncurrent, associated with their activity are included on their statements of net position.

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.

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."

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

f. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the statements of net position:

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, 2015.

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

The depletion rate is determined by the cell cost and its remaining capacity at year-end. The rate used was determined to be \$6.05 per ton for each of the years ended June 30, 2015 and 2014.

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

f. Assets, Liabilities and Net Position (Continued)

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 Agency has not indicated any material effect on the Agency'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.

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments

The Agency's deposits in banks at June 30, 2015 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, 2015 and 2014:

Account	2015	2014
Cash on hand	\$ 400	\$ 400
Cash in bank	356,356	90,039
Certificates of deposit	10,232,776	9,710,212
	\$ 10,589,532	\$ 9,800,651

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, 2015 and 2014 are summarized as follows:

	2015	2014
Capital assets being depreciated and depleted:		
Buildings and improvements	\$ 83,777	\$ 83,777
Equipment	1,356,507	1,350,233
Cell development	2,723,090	2,723,090
Land	150,000	None
Land improvements	96,380	88,069
Total capital assets being depreciated and depleted	4,409,754	4,245,169
Less accumulated depreciation and depletion:		
Buildings and improvements	83,777	83,777
Equipment	1,032,410	924,490
Cell development	2,556,168	2,421,702
Land improvements	75,162	70,805
Total accumulated depreciation and depletion	3,747,517	3,500,774
Total capital assets, net	\$ 662,237	\$ 744,395

NOTES TO FINANCIAL STATEMENTS

3. Property and Equipment (Continued)

Depreciation expense charged to landfill operations totaled \$112,853 and \$112,695 for the years ended June 30, 2015 and 2014, respectively.

Depletion expense charged to landfill operations totaled \$134,466 and \$136,845 for the years ended June 30, 2015 and 2014, 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 repaid the County with earnings from its operating revenues. During the year ended June 30, 2013, the Agency made the final payments to Winneshiek County for the County's payment of the bonds.

The payments to Winneshiek County's recycling operations totaled \$68,000 for each of the years ended June 30, 2015 and 2014. 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, 2023. 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. Long-term Debt

Details of long-term debt as of June 30, 2015 are as follows:

	Balance Due	
	Total	Current
Sersland Contract		
4.25% contract payable, due \$15,000 annually, plus interest, through March 2024, secured by land.	\$ 135,000	\$ 15,000

Aggregate maturities of long-term debt are as follows:

Year ended June 30,	
2016	\$ 15,000
2017	15,000
2018	15,000
2019	15,000
2020	15,000
2021-2024	60,000
	\$ 135,000

6. 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 care, 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.

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 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.

The estimate of these costs for the Agency have been estimated at \$5,250,094 and \$1,654,575 for closure and postclosure, respectively, for a total of \$6,904,669 as of June 30, 2015, and the portion of the liability that has been recognized is \$5,201,759. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 8 years. The capacity used at June 30, 2015 is 75 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, 2015, assets of \$7,493,695 are restricted for these purposes, of which \$5,697,971 is for closure and \$1,795,724 is for postclosure care. They are reported as restricted investments on the statements of net position.

Also, pursuant to Chapter 567-111.14(8) 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 as of June 30, 2015 is \$7,493,695.

7. 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, 2015 and 2014, the Agency had no unspent amounts of the tonnage fees.

8. 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 6 for a further explanation.

9. Risk Management

The Agency 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 727 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 at a level determined by the Board not to exceed 300% of basis rate.

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, 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.

9. Risk Management (Continued)

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the years ended June 30, 2015 and 2014 were \$27,794 and \$28,802, 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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency'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 Agency'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 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.

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, 2015, no liability has been recorded in the Agency's financial statements. As of June 30, 2015, 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.

10. Subsequent Events

Management has evaluated subsequent events through December 30, 2015, the date on which the financial statements were available to be issued.

Supplementary Information

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY
 STATEMENTS OF REVENUES AND EXPENSES INFORMATION
 For the Years Ended June 30, 2015 and 2014

	2015	2014
LANDFILL OPERATIONS		
Appliance removal	\$ 5,908	\$ 5,467
Glass	1,332	1,133
Pumping charges	47,435	45,692
Fuel for equipment	35,627	47,815
Scale calibration	505	570
Rock	6,556	8,255
Miscellaneous	2,434	1,508
Repairs and maintenance	68,465	6,695
Shop supplies	3,747	4,858
Insurance	27,794	28,802
Tipping fees	81,149	82,127
Education and training	199	1,124
Depreciation and depletion	247,319	249,540
Well testing and drilling	16,056	20,834
Dues and certificates	370	320
	\$ 544,896	\$ 504,740
Total landfill operations	\$ 544,896	\$ 504,740

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, 2015, 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 December 30, 2015.

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. 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.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

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.

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, 2015, 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 or state statutory compliance matters, accordingly, we provide no such assurance.

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 through 6 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 30, 2015, contains our report on the Agency's internal control over financial reporting. This letter does not affect our report dated December 30, 2015, 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 Tonnage Fees Retained
No instances of noncompliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

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, 2015, 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	\$ 5,250,094	\$ 1,654,575
Less balance of funds held in local dedicated fund at June 30, 2015	<u>(5,697,971)</u>	<u>(1,795,724)</u>
Dedicated funds in excess of estimated costs for closure and postclosure care	<u>\$ (447,877)</u>	<u>\$ (141,149)</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
December 30, 2015