

**SOUTHEAST IOWA MULTI-COUNTY
SOLID WASTE MANAGEMENT AGENCY
RICHLAND, IOWA**

FINANCIAL REPORT

JUNE 30, 2024

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SOUTHEAST IOWA MULTI-COUNTY SOLID WASTE MANAGEMENT AGENCY

OFFICIALS

Name	Title	Representing
Judy Ham	Chairperson	City of Fairfield
Randy Hemsley	Vice Chairperson	City of Sigourney
Michael Hadley	Secretary/Treasurer	Keokuk County
Susie Drish	Member	Jefferson County
Stan Stoops	Member	Washington County
Millie Youngquist	Member	City of Washington
Bill Sloop	Manager	



Hacker Nelson & Co., CPAs

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT

Board Members
Southeast Iowa Multi-County Solid Waste Management Agency
Richland, Iowa

Opinion

We have audited the accompanying cash basis financial statement of the Southeast Iowa Multi-County Solid Waste Management Agency (the Agency), as of and for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Southeast Iowa Multi-County Solid Waste Management Agency's basic financial statement as listed in the table of contents.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the Southeast Iowa Multi-County Solid Waste Management Agency, as of June 30, 2024, and the respective change in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.d.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Southeast Iowa Multi-County Solid Waste Management Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1.d. of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting as described in Note 1.d., and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Southeast Iowa Multi-County Solid Waste Management Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Southeast Iowa Multi-County Solid Waste Management Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of the management's discussion and analysis on pages 5 through 5c but does not include the basic financial statement and our auditor's report thereon. Our opinion on the basic financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2025, on our consideration of the Southeast Iowa Multi-County Solid Waste Management 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 solely 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 effectiveness of the Southeast Iowa Multi-County Solid Waste Management Agency's 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 Southeast Iowa Multi-County Solid Waste Management Agency's internal control over financial reporting and compliance.

Hacker, Nelson & Co., CPAs

Decorah, Iowa
January 14, 2025

SOUTHEAST IOWA MULTI-COUNTY SOLID WASTE MANAGEMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southeast Iowa Multi-County Solid Waste Management Agency (the Agency) provides this management's discussion and analysis of its financial statement. This narrative overview and analysis of the financial activities of the Agency is for the year ended June 30, 2024. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2024 FINANCIAL HIGHLIGHTS

Operating receipts increased 17.2%, or \$226,382 from fiscal year 2023 to fiscal year 2024.

Operating disbursements decreased 12%, or \$158,409 from fiscal year 2023 to fiscal year 2024.

The Agency's cash balance increased 8.6%, or \$621,950 from fiscal year 2023 to fiscal year 2024.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than 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 cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Change in Cash Balance

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and nonoperating. 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 Agency's cash basis financial position by analyzing the increase or decrease in the Agency's cash balance.

Operating receipts are received for gate fees from accepting solid waste. Operating disbursements are disbursements paid to operate the landfill. Nonoperating receipts and disbursements are for interest on investments, grant receipts, land or equipment purchases and capital projects.

A summary of cash receipts, disbursements and change in cash balance for the years ended June 30, 2024 and 2023 is presented below:

	<u>2024</u>	<u>2023</u>
OPERATING RECEIPTS		
Solid waste fees	\$ 1,542,528	\$ 1,316,146
OPERATING DISBURSEMENTS		
Landfill manager salary and benefits	131,626	123,768
Landfill operator contractor	563,925	590,120
Iowa Department of Natural Resources tonnage fee	85,730	80,944
Household hazardous waste and disposal costs	2,706	1,144
Engineering and testing	53,764	57,742
Landfill site management	17,942	58,322
Landfill disposal costs	20,772	7,372
Leachate management	220,633	343,354
Other operating expenses	63,598	56,339
Total operating disbursements	<u>1,160,696</u>	<u>1,319,105</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>381,832</u>	<u>(2,959)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)		
Interest income	231,395	111,970
Other income	8,723	8,723
New cell development capital project	-	(53,981)
Net nonoperating receipts (disbursements)	<u>240,118</u>	<u>66,712</u>
Change in cash balance	621,950	63,753
CASH BALANCE, beginning of year	<u>7,206,017</u>	<u>7,142,264</u>
CASH BALANCE, end of year	<u>\$ 7,827,967</u>	<u>\$ 7,206,017</u>

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Change in Cash Balance (Continued)

A summary of cash receipts, disbursements and change in cash balance for the years ended June 30, 2024 and 2023 is presented below (continued):

	<u>2024</u>	<u>2023</u>
CASH BASIS FUND BALANCE		
Restricted for:		
Closure	\$ 3,160,411	\$ 3,066,828
Postclosure care	<u>1,391,879</u>	<u>1,260,899</u>
Total restricted cash basis fund balance	4,552,290	4,327,727
Unrestricted	<u>3,275,677</u>	<u>2,878,290</u>
Total cash basis fund balance	<u>\$ 7,827,967</u>	<u>\$ 7,206,017</u>

In fiscal year 2024, operating receipts increased by \$226,382, or 17.2%. The increase was primarily a result of receiving more tonnage of solid waste in fiscal year 2024 as compared to the prior year.

Operating disbursements decreased by \$158,409, or 12%. This change was primarily a result of the decrease in leachate management expenses in fiscal year 2024 as compared to the prior year.

A portion of the Agency's cash balance, \$4,552,290 (58%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$3,275,677 (42%), is unrestricted and can be used to meet the Agency's obligations as they come due.

The restricted cash balance increased \$224,563, or 5.2%, during the year. The increase was due to additional funds set aside for closure and postclosure care.

The unrestricted cash balance increased \$397,387, or 13.8%, during the year due to increased investment income and reduction in capital project expenses.

LONG-TERM DEBT

At June 30, 2024, the Agency had no long-term debt outstanding.

ECONOMIC FACTORS

Southeast Iowa Multi-County Solid Waste Management Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for the Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Increasing regulatory burdens related to environmental monitoring will require the Agency to bear additional costs, including costs related to engineering, monitoring wells and leachate management.
- Facilities and equipment at the Agency require constant maintenance and upkeep.
- Potential lower incoming waste tonnage coupled with contractually agreed upon increases in the cost of the landfill operation contract.
- Increased demand for non-revenue producing services including recycling and household hazardous waste.
- Technology continues to expand, and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Ongoing inflation particularly with fuel and material expenditures.

The Agency anticipates fiscal year 2025 will be much like 2024. 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 the 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 Southeast Iowa Multi-County Solid Waste Management Agency, 29997 Highway 78 West, Richland, Iowa 52585.

SOUTHEAST IOWA MULTI-COUNTY SOLID WASTE MANAGEMENT AGENCY
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN CASH BALANCE
 As of and for the Year Ended June 30, 2024

OPERATING RECEIPTS	
Solid waste fees	<u>\$ 1,542,528</u>
OPERATING DISBURSEMENTS	
Landfill manager salary and benefits	131,626
Landfill operator contract	563,925
Iowa Department of Natural Resources tonnage fee	85,730
Household hazardous waste and disposal costs	2,706
Insurance	7,073
Engineering and testing	53,764
Vehicle expenses	5,180
Landfill site management	17,942
Landfill disposal costs	20,772
Leachate management	220,633
Utilities	4,775
Office equipment, supplies, credit card fees and printing	12,117
Professional fees	28,035
Miscellaneous	<u>6,418</u>
Total operating disbursements	<u>1,160,696</u>
Excess of operating receipts over operating disbursements	<u>381,832</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)	
Interest income	231,395
Other income	<u>8,723</u>
Net nonoperating receipts (disbursements)	<u>240,118</u>
Change in cash balance	621,950
CASH BALANCE, beginning of year	<u>7,206,017</u>
CASH BALANCE, end of year	<u><u>\$ 7,827,967</u></u>
CASH BASIS FUND BALANCE	
Restricted for:	
Closure	\$ 3,160,411
Postclosure care	<u>1,391,879</u>
Total restricted cash basis fund balance	4,552,290
Unrestricted	<u>3,275,677</u>
Total cash basis fund balance	<u><u>\$ 7,827,967</u></u>

See Notes to Financial Statement.

SOUTHEAST IOWA MULTI-COUNTY SOLID WASTE MANAGEMENT AGENCY

NOTES TO FINANCIAL STATEMENT

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Southeast Iowa Multi-County Solid Waste Management Agency (the Agency) was formed in 1974 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 on behalf of units of government which are members of the Agency.

The governing body of the Agency is composed of representatives from each of the member counties and cities. The Board is appointed by the participating members, and each has one vote. The member counties include Washington, Jefferson and Keokuk and the cities of Fairfield and Sigourney. Currently, the Agency contracts for landfill operations.

b. Reporting Entity

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

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

d. Basis of Accounting

The 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.

e. Cash and Cash Equivalents

The Agency considers cash in banks, including repurchase agreements and certificates of deposit, to be cash equivalents.

NOTES TO FINANCIAL STATEMENT

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

f. Cash Basis Fund Balance

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

g. Landfill Manager Wages and Benefits

The Agency reimburses for the services of an employee from Jefferson County to operate the landfill. The Agency also reimburses the county for the direct labor costs and costs of benefits provided to this employee on a quarterly basis. Landfill manager wages and benefits totaled \$131,626 for the year ended June 30, 2024.

h. 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 statement.

i. Subsequent Events

Management has evaluated subsequent events through January 14, 2025, the date on which the financial statement was available to be issued.

2. Cash and Investments

The Agency's deposits in banks at June 30, 2024 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

Certificates of deposit held by the Agency totaled \$6,938,461 at year end, of which \$4,552,290 was restricted for closure/postclosure care costs.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's cash equivalents include a \$810,000 investment in repurchase agreements collateralized by obligations of the United States government, its agencies and instrumentalities which are held by Quad City Bank and Trust, not in the name of the Agency.

3. Closure and Postclosure Care

The landfill site is currently regulated by the Iowa Department of Natural Resources (DNR). On January 11, 2021, the Agency's landfill permit issued by the Iowa Department of Natural Resources was renewed through January 11, 2026.

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills which receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide 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 year. 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 due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be \$3,517,284 for closure, \$1,637,894 for postclosure care, and \$17,263 for corrective action cost, for a total of \$5,172,441 as of June 30, 2024. The estimate remaining life of the landfill is 16 years, with approximately 50% of the landfill's capacity used at June 30, 2024.

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, 2024, assets of \$4,552,290 are restricted for these purposes, of which \$3,160,411 is for closure and \$1,391,879 is for postclosure care. They are reported as restricted cash balance in the statement of cash receipts, disbursements and change in cash balance.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources as described below.

3. Closure and Postclosure Care (Continued)

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

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

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

4. 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, 2024, the Agency had no unspent tonnage fees.

5. Landfill Site Operations and Maintenance Contract

The Agency entered into a contract with Winn J. Construction Company effective October 1, 2010, for operation of the landfill. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to provide all labor, tools and equipment necessary for operation, except for recycling responsibilities. For the year ended June 30, 2024, the contractor was paid \$563,925 for these services. The current contract was renewed October 1, 2020, for a five-year term expiring October 1, 2025, with an option to renew it for an additional five years. Due to ownership changes, Winn J. Construction Company will be unable to continue the contract term through October 1, 2025, and the contract will be honored by 2B4G LLC, purchaser of Winn J. Construction Company.

6. 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 803 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, employment practices liability, public officials liability, cyber liability, law enforcement liability, and property. 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.

6. Risk Management (Continued)

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.

The Agency's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Agency's contributions to the Pool for the year ended June 30, 2024 were \$6,854.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 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 \$500,000 each occurrence, each location. Property risks exceeding \$500,000 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.

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

The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



Hacker Nelson & Co., CPAs

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*

Board Members
Southeast Iowa Multi-County Solid Waste Management Agency
Richland, 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 statement of Southeast Iowa Multi-County Solid Waste Management Agency, as of and for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise Southeast Iowa Multi-County Solid Waste Management Agency's basic financial statement, and have issued our report thereon dated January 14, 2025. 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered Southeast Iowa Multi-County Solid Waste Management Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Southeast Iowa Multi-County Solid Waste Management Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Iowa Multi-County Solid Waste Management 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 Agency's financial statement 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.

Segregation of Duties

Condition

Generally, one individual has control over the following areas for the Agency: (1) accounting system - record keeping for revenues, expenses and related reporting and (2) receipts - collecting, depositing, journalizing and posting.

Criteria

Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Agency's financial statement.

Cause

The Agency has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect

Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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.

Views of Responsible Officials and Planned Corrective Actions

Management is cognizant of this limitation and will implement additional procedures whenever possible.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Iowa Multi-County Solid Waste Management Agency's financial statement is 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 financial statement. 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*.

Southeast Iowa Multi-County Solid Waste Management Agency's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Southeast Iowa Multi-County Solid Waste Management Agency's response to the finding identified in our audit is described above. Southeast Iowa Multi-County Solid Waste Management Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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 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.

Decorah, Iowa
January 14, 2025

Hacker, Nelson & Co., CPAs



Hacker Nelson & Co., CPAs

MANAGEMENT LETTER

Board Members
Southeast Iowa Multi-County Solid Waste Management Agency
Richland, Iowa

In planning and performing our audit of the basic financial statement of Southeast Iowa Multi-County Solid Waste Management Agency for the year ended June 30, 2024, we considered the Agency's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the Agency's compliance with certain sections of the Iowa Code, Attorney General's opinions and other matters. Items 1 through 7 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 14, 2025, contains our report on the Agency's internal control over financial reporting. This letter does not affect our report dated January 14, 2025, on the basic financial statement of the Southeast Iowa Multi-County Solid Waste Management Agency. These comments are not intended to and do not constitute legal opinions.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2024 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.

1. Questionable Disbursements

No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

2. Travel Expense

No disbursements of Agency money for travel expenses of spouses of Agency officials and/or employees were noted.

3. Restricted Donor Activity

No transactions were noted between the Agency, Agency officials, Agency employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

4. Agency Board Minutes

No transactions were found that we believe should have been approved in the Agency's Board minutes but were not.

5. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

6. 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.

7. Financial Assurance

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

	<u>Closure</u>	<u>Postclosure Care</u>	<u>Total</u>
Total estimated cost for closure and postclosure care	\$ 3,517,284	\$ 1,637,894	\$ 5,155,178
Less balance of funds held in the local dedicated fund at June 30, 2023	<u>2,940,951</u>	<u>1,369,513</u>	<u>4,310,464</u>
	576,333	268,381	844,714
Divided by the number of years remaining in the pay-in-period	<u>12</u>	<u>12</u>	<u>12</u>
Required payment into the local dedicated fund for the year ended June 30, 2024	48,028	22,365	70,393
Balance of funds held in the local dedicated fund at June 30, 2023	<u>2,940,951</u>	<u>1,369,513</u>	<u>4,310,464</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2024	<u>\$ 2,988,979</u>	<u>\$ 1,391,878</u>	<u>\$ 4,380,857</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2024	<u>\$ 3,160,412</u>	<u>\$ 1,391,878</u>	<u>\$ 4,552,290</u>

Financial assurance for corrective action, with an updated cost estimate of \$17,263 is being fully funded within the Agency's overall closure/postclosure dedicated funds amount of \$4,552,290.

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least annually within 30 days of the close of each fiscal year. The required deposit was made timely during the year ended June 30, 2024.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Southeast Iowa Multi-County Solid Waste Management Agency during the course of our audit. 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., CPAs