

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

FINANCIAL REPORT

JUNE 30, 2025

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WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

| Name | Title | Representing |
|-----------------|------------------|--------------------------|
| Mark Vick | Chairperson | Winneshiek County |
| Daniel Langreck | Vice-Chairperson | Winneshiek County |
| Leon Kipp | Treasurer | City of Fort Atkinson |
| Keith Frana | Secretary | City of Calmar |
| Mark Faldet | Member | Winneshiek County |
| Shirley Vermace | Member | Winneshiek County |
| Todd Ihde | Member | City of Decorah |
| Richard Hammel | Member | Winneshiek County |
| Don DiLaura | Member | City of Ossian |
| Dennis Wilkins | Member | City of Castalia |
| Lois Amundson | Member | City of Ridgeway |
| Mae Schmitt | Member | City of Jackson Junction |
| Steve Kelsay | Member | City of Spillville |
| T.J. Schissel | Director | |



Hacker Nelson & Co., CPAs

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board Members
Winneshiek County Area Solid Waste Agency
Decorah, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Winneshiek County Area Solid Waste Agency (Agency), as of and for the years then ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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, 2025 and 2024, 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.

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Winneshiek County Area Solid Waste Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 statements.

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 statements, 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 statements.
- 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 Winneshiek County Area Solid Waste 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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Winneshiek County Area Solid Waste 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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 5c be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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. Such 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. The 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 January 14, 2026, on our consideration of the 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 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 Winneshiek County Area Solid Waste 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 Winneshiek County Area Solid Waste Agency's internal control over financial reporting and compliance.

Haeker, Nelson & Co., CPAs

Decorah, Iowa
January 14, 2026

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

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, 2025. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2025 FINANCIAL HIGHLIGHTS

The Agency's operating revenues increased 1.99%, or \$38,222, from fiscal year 2024 to fiscal year 2025.

The Agency's operating expenses increased 70.57%, or \$813,087, from fiscal year 2024 to fiscal year 2025. This change was primarily a result of the increase in closure and postclosure care estimated costs in fiscal year 2025, which increased closure and postclosure care expenses by \$335,654, and an increase in landfill operations of \$418,448 from fiscal year 2024 to 2025.

The Agency's net position increased 8.44%, or \$1,003,231, from June 30, 2024 to June 30, 2025.

The financial highlights reflect a prior year restatement for fiscal year 2024, as described in Note 10 within the Notes to the Financial Statements.

USING THIS ANNUAL REPORT

The Winneshiek County Area Solid Waste Agency is a 28E organization which reports as a single enterprise fund and presents its financial statements using the economic resources measurement focus and the 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 the Winneshiek County Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

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

The statements of net position present information on the Agency's assets and liabilities with the difference 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 readers 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.

Supplementary information provides detailed information about the revenues and expenses information.

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 year 2025 totaled \$12,885,529. This compares to \$11,882,298 at the end of fiscal year 2024 restated balance. A summary of the Agency's net position as of June 30, 2025, 2024, and 2023 is presented below.

| | NET POSITION | | |
|---|----------------------|----------------------|----------------------|
| | 2025 | Restated 2024 | 2023 |
| Current assets | \$ 2,125,807 | \$ 1,256,086 | \$ 584,921 |
| Net capital assets | 5,992,581 | 5,647,749 | 5,830,796 |
| Other assets | 8,484,787 | 8,569,195 | 8,070,709 |
| Total assets | \$ 16,603,175 | \$ 15,473,030 | \$ 14,486,426 |
| Current liabilities | \$ 71,878 | \$ 121,576 | \$ 120,389 |
| Noncurrent liabilities | 3,645,768 | 3,469,156 | 3,628,197 |
| Total liabilities | 3,717,646 | 3,590,732 | 3,748,586 |
| Net position: | | | |
| Net investment in capital assets | 5,992,581 | 5,647,749 | 5,815,796 |
| Restricted | 3,812,458 | 3,679,265 | 2,821,738 |
| Unrestricted | 3,080,490 | 2,555,284 | 2,100,306 |
| Total net position | 12,885,529 | 11,882,298 | 10,737,840 |
| Total liabilities and net position | \$ 16,603,175 | \$ 15,473,030 | \$ 14,486,426 |

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, and sale of fixed assets. 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.

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, 2025, 2024, and 2023 is presented below.

| | 2025 | Restated 2024 | 2023 |
|--|----------------------|----------------------|----------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| OPERATING REVENUES | | | |
| Services and fees | \$ 1,924,819 | \$ 1,864,785 | \$ 1,630,608 |
| DNR fees | 34,269 | 34,927 | 34,278 |
| Miscellaneous income | 3,278 | 24,432 | 24,833 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total operating revenues | 1,962,366 | 1,924,144 | 1,689,719 |
| | <u> </u> | <u> </u> | <u> </u> |
| OPERATING EXPENSES | | | |
| Office expense | 27,039 | 24,657 | 18,724 |
| Landfill operations | 1,090,786 | 672,338 | 1,050,249 |
| Wages and benefits reimbursement | 509,913 | 439,081 | 436,653 |
| Recycling | 68,000 | 68,000 | 68,000 |
| Legal and accounting | 32,370 | 30,360 | 29,092 |
| Engineering fees | 48,174 | 64,693 | 43,710 |
| Grants | 12,424 | 12,144 | 11,057 |
| Closure and postclosure care | 176,613 | (159,041) | 309,952 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total operating expenses | 1,965,319 | 1,152,232 | 1,967,437 |
| | <u> </u> | <u> </u> | <u> </u> |
| Operating (loss) income | (2,953) | 771,912 | (277,718) |
| | <u> </u> | <u> </u> | <u> </u> |
| NONOPERATING REVENUE (EXPENSE) | | | |
| Gain on sale of fixed assets | 590,813 | - | - |
| Interest income | 415,371 | 372,972 | 231,006 |
| Interest expense | - | (426) | (1,064) |
| | <u> </u> | <u> </u> | <u> </u> |
| Net nonoperating revenue | 1,006,184 | 372,546 | 229,942 |
| | <u> </u> | <u> </u> | <u> </u> |
| Change in net position | 1,003,231 | 1,144,458 | (47,776) |
| | <u> </u> | <u> </u> | <u> </u> |
| NET POSITION, beginning of year | 11,882,298 | 10,737,840 | 10,785,616 |
| | <u> </u> | <u> </u> | <u> </u> |
| NET POSITION, end of year | \$ 12,885,529 | \$ 11,882,298 | \$ 10,737,840 |
| | <u> </u> | <u> </u> | <u> </u> |

The statements of revenues, expenses and changes in net position reflect positive years with increases in net position at the end of fiscal years 2025 and 2024, and a negative year with a decrease in net position at the end of fiscal year 2023.

In fiscal year 2025, operating revenues increased by \$38,222, or 1.99%. Operating expenses increased by \$813,087, or 70.57%. This change was primarily a result of the increase in closure and postclosure care estimated costs from prior years due to the updated estimate received from the Agency's engineer, in addition to an increase in landfill operations.

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 the County for contract services (employees) and to suppliers for services. Cash used in capital and related financing activities includes the purchase of capital assets. Cash provided by (used in) investing activities includes the purchase of and the proceeds from the sale of investments, capital assets and interest income.

CAPITAL ASSETS

At June 30, 2025, the Agency had \$11,929,987 invested in capital assets, less accumulated depreciation/depletion of \$5,937,406. Depreciation/depletion charges totaled \$518,527 for fiscal year 2025. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2025, the Agency had \$3,645,768 in closure and postclosure care costs, an increase of \$176,612 from 2024. Additional information about the Agency's closure and postclosure care costs is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

Winneshiek County Area Solid Waste Agency's financial position improved 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:

- Facilities and equipment 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.
- 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.
- Costs associated with replacement of equipment and buildings lost to fire on November 22, 2024.

The Agency anticipates fiscal year 2026 will be better than 2025. 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 Agency's citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to demonstrate 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, 2025 and 2024

| | 2025 | Restated 2024 |
|---|---------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 470,936 | \$ 412,052 |
| Investments | 1,420,774 | 626,421 |
| Accounts receivable | 211,976 | 200,238 |
| Accrued interest | 22,121 | 17,375 |
| | 2,125,807 | 1,256,086 |
| CAPITAL ASSETS | | |
| Construction in process | 22,000 | - |
| Buildings | 351,001 | 260,112 |
| Equipment | 2,727,958 | 2,612,496 |
| Land | 150,000 | 150,000 |
| Cell development and landfill improvements | 8,679,028 | 8,708,565 |
| | 11,929,987 | 11,731,173 |
| Less accumulated depreciation and depletion | 5,937,406 | 6,083,424 |
| | 5,992,581 | 5,647,749 |
| OTHER ASSETS | | |
| Investments | 1,026,561 | 1,420,774 |
| Investments - closure and postclosure | 7,419,173 | 7,110,749 |
| Accrued interest | 39,053 | 37,672 |
| | 8,484,787 | 8,569,195 |
| | \$ 16,603,175 | \$ 15,473,030 |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 71,878 | \$ 86,509 |
| Due to County | - | 35,067 |
| | 71,878 | 121,576 |
| NONCURRENT LIABILITIES | | |
| Closure and postclosure care costs | 3,645,768 | 3,469,156 |
| | 3,717,646 | 3,590,732 |
| NET POSITION | | |
| Net investment in capital assets | 5,992,581 | 5,647,749 |
| Restricted for: | | |
| Closure | 2,891,355 | 2,790,342 |
| Postclosure | 921,103 | 888,923 |
| Unrestricted | 3,080,490 | 2,555,284 |
| | 12,885,529 | 11,882,298 |
| | \$ 16,603,175 | \$ 15,473,030 |

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, 2025 and 2024

| | 2025 | Restated 2024 |
|--|----------------------|----------------------|
| OPERATING REVENUES | | |
| Services and fees | \$ 1,924,819 | \$ 1,864,785 |
| DNR fees | 34,269 | 34,927 |
| Miscellaneous income | 3,278 | 24,432 |
| Total operating revenues | 1,962,366 | 1,924,144 |
| OPERATING EXPENSES | | |
| Office expense | 27,039 | 24,657 |
| Landfill operations | 1,090,786 | 672,338 |
| Wages and benefits reimbursement | 509,913 | 439,081 |
| Recycling | 68,000 | 68,000 |
| Legal and accounting | 32,370 | 30,360 |
| Engineering fees | 48,174 | 64,693 |
| Grants | 12,424 | 12,144 |
| Closure and postclosure care | 176,613 | (159,041) |
| Total operating expenses | 1,965,319 | 1,152,232 |
| Operating (loss) income | (2,953) | 771,912 |
| NONOPERATING REVENUE (EXPENSE) | | |
| Gain on sale of fixed assets | 590,813 | - |
| Interest income | 415,371 | 372,972 |
| Interest expense | - | (426) |
| Net nonoperating revenue | 1,006,184 | 372,546 |
| CHANGE IN NET POSITION | 1,003,231 | 1,144,458 |
| NET POSITION, beginning of year | 11,882,298 | 10,737,840 |
| NET POSITION, end of year | \$ 12,885,529 | \$ 11,882,298 |

See Notes to Financial Statements.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>Restated 2024</u> |
|--|-------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from charges for services | \$ 1,950,629 | \$ 1,819,872 |
| Cash payments to County for contract services | (544,980) | (451,864) |
| Cash payments to suppliers for services | (774,898) | (633,664) |
| Net cash provided by operating activities | <u>630,751</u> | <u>734,344</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal payments on notes payable | - | (15,000) |
| Interest paid on long-term borrowing | - | (637) |
| Purchase of capital assets | (863,358) | (26,300) |
| Net cash used in capital and related financing activities | <u>(863,358)</u> | <u>(41,937)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (682,003) | (1,485,908) |
| Proceeds from investments | (26,561) | 388,156 |
| Proceeds from sale of capital assets | 590,813 | - |
| Interest received on investments | 409,242 | 369,019 |
| Net cash provided by (used in) investing activities | <u>291,491</u> | <u>(728,733)</u> |
| Net increase (decrease) in cash | 58,884 | (36,326) |
| CASH, beginning of year | <u>412,052</u> | <u>448,378</u> |
| CASH, end of year | <u>\$ 470,936</u> | <u>\$ 412,052</u> |
| RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating (loss) income | \$ (2,953) | \$ 771,912 |
| Adjustments to reconcile operating (loss) income to net cash provided by operating activities: | | |
| Depreciation and depletion | 518,527 | 209,347 |
| Changes in: | | |
| Accounts receivable | (11,737) | (104,272) |
| Accounts payable | (14,631) | 29,181 |
| Due to County | (35,067) | (12,783) |
| Closure and postclosure accrual | 176,612 | (159,041) |
| Net cash provided by operating activities | <u>\$ 630,751</u> | <u>\$ 734,344</u> |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Book value of equipment traded | <u>\$ 664,545</u> | <u>\$ 5,666</u> |

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 Iowa Counties of Howard and Clayton, and the City of Postville, Iowa.

As of March 2022, 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 1,500 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 (GAAP) 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: (1) elected officials of the primary government are financially accountable for the entity, and (2) 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 Winneshiek 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.

c. Basis of Presentation

The accounts of the Agency are organized as an enterprise fund. Enterprise funds are utilized to account for operations as follows: (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.

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

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 met.

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 revenues are 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 two surrounding counties and one municipal entity, as noted in 1.a. 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."

f. Assets, Liabilities and Net Position

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

Cash and Investments

Investments consist of money market accounts and non-negotiable certificates of deposit, which are stated at cost.

Restricted Investments

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

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

f. Assets, Liabilities and Net Position (Continued)

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

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.

The ending accounts receivable balances were as follows as of June 30:

| | 2025 | 2024 | 2023 |
|---------------------|------------|------------|-----------|
| Accounts receivable | \$ 211,976 | \$ 200,238 | \$ 95,965 |

Capital Assets

Capital assets are recorded at historical cost. Depreciation/depletion 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 |
| Landfill improvements, other than cell development | 15 |
| Buildings | 10 - 20 |

The depletion rate was determined by the total cell cost and its capacity at completion. The rate used was determined to be \$10.84 per ton for each of the years ended June 30, 2025 and 2024.

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

f. Assets, Liabilities and Net Position (Continued)

The following accounting policies are followed in preparing the statements of 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.

The statements of net position present the Agency's assets and liabilities with the difference reported as net position. Net position is reported in the following categories:

- a) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.
- c) Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

g. Payroll and Related Costs

The Agency reimburses for 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.

NOTES TO FINANCIAL STATEMENTS

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

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.

2. Cash and Investments

The Agency's deposits in banks at June 30, 2025 and 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 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'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 a drainage district.

The Agency's deposits, shown as cash and investments on the statements of net position, are comprised of the following at June 30, 2025 and 2024:

| <u>Account</u> | <u>2025</u> | <u>2024</u> |
|-------------------------|----------------------|---------------------|
| Cash on hand | \$ 400 | \$ 400 |
| Cash in bank | 470,536 | 411,652 |
| Money market | 867,533 | 864,290 |
| Certificates of deposit | <u>8,998,975</u> | <u>8,293,654</u> |
| Total | <u>\$ 10,337,444</u> | <u>\$ 9,569,996</u> |

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

NOTES TO FINANCIAL STATEMENTS

3. **Capital Assets**

Major classifications of capital assets as of June 30, 2025 and 2024 are summarized as follows:

| | 2025 | Restated 2024 |
|--|---------------------|---------------------|
| Capital assets being depreciated and depleted: | | |
| Construction in process | \$ 22,000 | \$ - |
| Buildings and improvements | 351,001 | 260,112 |
| Equipment | 2,727,958 | 2,612,496 |
| Cell development | 8,612,184 | 8,612,184 |
| Land | 150,000 | 150,000 |
| Land improvements | 66,844 | 96,381 |
| Total capital assets being depreciated and depleted | 11,929,987 | 11,731,173 |
| Less accumulated depreciation and depletion: | | |
| Buildings and improvements | 11,514 | 123,452 |
| Equipment | 1,483,643 | 1,706,520 |
| Cell development | 4,375,405 | 4,160,119 |
| Land improvements | 66,844 | 93,333 |
| Total accumulated depreciation and depletion | 5,937,406 | 6,083,424 |
| Total capital assets, net | \$ 5,992,581 | \$ 5,647,749 |

Depreciation expense charged to landfill operations totaled \$303,241 and \$278,832 for the years ended June 30, 2025 and 2024, respectively.

Depletion expense charged to landfill operations totaled \$(117,579) and \$263,380 for the years ended June 30, 2025 and 2024, respectively.

4. **Finance Agreements Payable and Landfill Leases**

The payments to Winneshiek County's recycling operations totaled \$68,000 for each of the years ended June 30, 2025 and 2024. The Agency anticipates continuing to make annual payments to Winneshiek County's recycling operations in the amount of \$68,000.

The Agency has a year-to-year lease on the landfill property with Winneshiek County that is automatically renewable unless terminated on 120 days written notice of intent to terminate given by either party. 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.

No interest costs were capitalized during the years ended June 30, 2025 and 2024.

5. Closure and Postclosure Care Costs

The landfill site is currently regulated by the Iowa Department of Natural Resources (DNR). On November 1, 2021, the Agency's landfill permit issued by the Iowa Department of Natural Resources was renewed through December 21, 2026.

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure care 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 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 which 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 which 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 at \$4,860,785 and \$1,548,507 for closure and postclosure care, respectively, for a total of \$6,409,292 as of June 30, 2025, and the portion of the liability which has been recognized is \$3,645,768. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2025. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 28 years based on the remaining permitted capacity indicated in the Financial Assurance Report provided by AECOM dated February 11, 2025, and tonnage brought into the landfill for the remainder of fiscal year 2025. The capacity used at June 30, 2025 was 57%. The total closure and postclosure estimate as of June 30, 2024 was \$6,259,074 and the portion of the liability that had been recognized was restated amount of \$3,469,156.

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, 2025, assets of \$7,458,226 are restricted for these purposes, of which \$5,656,293 is for closure and \$1,801,933 is for postclosure care. They are reported as restricted investments in the statements of net position.

6. Solid Waste Tonnage Fees Retained

Chapter 455B.310 of the Code of Iowa establishes a tonnage fee of four dollars and twenty-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 Iowa 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 is 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, 2025 and 2024, the Agency had no unspent amounts of the tonnage fees.

7. Contingencies

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

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

8. Risk Management

The Agency is a member 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 805 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, property, employment practices liability, public officials liability, cyber liability, and law enforcement liability. 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.

8. Risk Management (Continued)

The Agency's property and casualty contributions to the Pool are recorded as expenses from its operating funds at the time of payment to the Pool. The Agency's contributions to the Pool for the years ended June 30, 2025 and 2024 were \$55,156 and \$43,074, respectively.

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.

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, 2025 and 2024, no liability has been recorded in the Agency's financial statements. As of June 30, 2025, 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-day 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.

9. Subsequent Events and Commitments

On November 22, 2024, a fire occurred at the Agency, significantly damaging a building storing vehicles and tools used in operations. The extent of the financial impact has been assessed, and the Agency filed insurance claims accordingly. Insurance proceeds related to the losses were received within the fiscal year and were used to offset the cost of repairs and replacements. As part of the recovery process, the Agency purchased new equipment and rebuilt the affected building to restore normal operations. All related transactions were recorded in the financial statements in accordance with applicable accounting standards.

The total outstanding construction and purchase commitments of the Agency at June 30, 2025 totaled \$28,117.

The Agency received \$146,285 of additional insurance proceeds subsequent to year end related to the fire. \$101,457 of this amount was for work completed by June 30, 2025 and included in the accounts receivable balance as of June 30, 2025, see Note 1.f.

Management has evaluated subsequent events through January 14, 2026, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

10. Restatement

During the audit of the fiscal year ended June 30, 2025, it was determined that the estimate used for the Agency’s landfill capacity was overstated when compared to engineer calculations that analyze landfill compaction. Estimated closure and postclosure costs were revised to reflect updated landfill capacity estimates and accumulated depletion. As a result, accumulated depletion and closure and postclosure care costs were overstated in the prior period.

To correct this, the financial statements for the year ended June 30, 2024 have been restated. The effect of the restatement on the change in depletion, closure and postclosure care costs, and financial position as of and for the year ended June 30, 2024 are as follows:

| | As Previously Reported | Restated |
|---|---------------------------|--------------|
| Depreciation and depletion expense | \$ 542,212 | \$ 209,347 |
| Closure and postclosure care expense | \$ 209,114 | \$ (159,041) |
| Net capital assets | \$ 5,314,884 | \$ 5,647,749 |
| Closure and postclosure care costs | \$ 3,837,311 | \$ 3,469,156 |
| Net investment in capital assets | \$ 5,314,884 | \$ 5,647,749 |
| Restricted for: closure, net position | \$ 2,511,135 | \$ 2,790,342 |
| Restricted for: postclosure, net position | \$ 799,975 | \$ 888,923 |

11. Accounting Change

During fiscal year 2025, the Agency implemented Governmental Accounting Standards Board Statement No. 102, *Certain Risk Disclosures*. This statement requires disclosure of significant concentrations or constraints that could expose the Agency to substantial risk. If such risks are present and associated events have occurred, begun to occur, or are likely to occur within twelve months of the financial statement issuance date, the Agency must disclose the nature of the risk, related events, and any mitigating actions taken. Implementation of this statement did not have a significant impact on the Agency.

12. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the Agency. The statement which might impact the Agency is as follows:

GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, will be effective for the fiscal year ending June 30, 2026. The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.

The Agency’s management has not yet determined the effect this statement will have on the Agency’s financial statement.

Supplementary Information

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY
 STATEMENTS OF REVENUES AND EXPENSES INFORMATION
 For the Years Ended June 30, 2025 and 2024

| | 2025 | Restated 2024 |
|----------------------------|--------------|------------------|
| LANDFILL OPERATIONS | | |
| Appliance removal | \$ 2,759 | \$ 11,015 |
| Glass | 1,165 | 1,233 |
| Pumping charges | 25,977 | 16,442 |
| Fuel for equipment | 41,612 | 52,648 |
| Scale calibration | 1,179 | 1,307 |
| Rock | 7,011 | 9,078 |
| Miscellaneous | 7,375 | 9,662 |
| Repairs and maintenance | 101,098 | 26,583 |
| Shop supplies | 9,801 | 11,793 |
| Insurance | 55,156 | 43,074 |
| Tipping fees | 80,698 | 82,247 |
| Education and training | 1,038 | 1,699 |
| Depreciation and depletion | 518,527 | 209,347 |
| Well testing and drilling | 237,135 | 194,041 |
| Seeding | - | 1,924 |
| Dues and certificates | 255 | 245 |
| | 255 | 245 |
| Total landfill operations | \$ 1,090,786 | \$ 672,338 |

See Independent Auditor's Report.



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 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, 2025, and the related notes to the financial statements, which collectively comprise Winneshiek County Area Solid Waste Agency's basic financial statements, and have issued our report thereon dated January 14, 2026.

Report on 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) as a basis for designing 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 Agency'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 identified 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 statements.

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 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the 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 other auditing procedures applied in the audit of the financial statements 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, 2026

Hacker, Nelson & Co., CPAs



Hacker Nelson & Co., CPAs

MANAGEMENT LETTER

Board Members
Winneshiek County Area Solid Waste Agency
Decorah, Iowa

In planning and performing our audit of the basic financial statements of Winneshiek County Area Solid Waste Agency for the year ended June 30, 2025, 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 8 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 14, 2026, contains our report on the Agency's internal control over financial reporting. This letter does not affect our report dated January 14, 2026, on the basic financial statements of the Winneshiek County Area Solid Waste Agency. These comments are not intended to and do not constitute legal opinions.

COMPLIANCE COMMENTS

1. **Questionable Expenses**
No expenses 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 expenses 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. **Bond Coverage**
Surety bond coverage for Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
5. **Board Minutes**
No transactions were found that we believe should have been approved in the Board Minutes but were not.

6. 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.

7. 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.

8. 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, 2025, 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 | \$ 4,860,785 | \$ 1,548,507 |
| Less balance of funds held in local dedicated fund at June 30, 2025 | <u>(5,656,293)</u> | <u>(1,801,933)</u> |
| Dedicated funds in excess of estimated costs for closure and postclosure care | <u>\$ (795,508)</u> | <u>\$ (253,426)</u> |

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

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 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

Decorah, Iowa
January 14, 2026