

**Des Moines County Regional Solid Waste Commission**

**Independent Auditor's Reports  
Basic Financial Statements and  
Required Supplementary Information  
Schedule of Findings**

**June 30, 2004**

## **C O N T E N T S**

	<b>Page</b>
<b>Commission Members</b>	1
<b>Independent Auditor's Report</b>	2 - 3
<b>Management's Discussion and Analysis</b>	4 - 7
<b>Basic Financial Statements</b>	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 17
<b>Supplemental Information</b>	
Supplementary Schedule of Revenue and Expenses	18
<b>Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting</b>	19 - 20
<b>Schedule of Findings</b>	21

**Des Moines County Regional Solid Waste Commission  
Commission Members  
June 30, 2004**

<b>Member</b>	<b>Representing</b>
Bill Ell	Burlington
Don Fitting	Burlington
Bruce Slagle	Burlington
Hans Trousil	West Burlington
No representative	Middletown
Leroy Lippert	Danville
Paul Lorber	New London
Julie Tribbey	Mediapolis
Sherman Lundy	Des Moines County
No representative	Salem
Chris Bittle	Mt. Pleasant
Bob Evans	Morning Sun
Larry Jennings	Winfield
No representative	Mt. Union
No representative	Westwood
No representative	Rome

James Walker, CPA  
James Egerton, CPA  
Kimberly Hunsaker, CPA  
Melodee Walker, CPA  
Stephanie Hoschek, CPA  
William Hesse, LPA



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## Independent Auditor's Report

To the Commission Members  
Des Moines County Regional Solid Waste Commission  
Burlington, Iowa

We have audited the accompanying financial statements of Des Moines County Regional Solid Waste Commission as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Des Moines County Regional Solid Waste Commission at June 30, 2004, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 11, during the year ended June 30, 2004, the Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2004 on our consideration of Des Moines County Regional Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of the audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned general purpose financial statements taken as a whole.

*Walker Egerton & Hursaker PC*

August 25, 2004

## **Des Moines County Regional Solid Waste Commission Management's Discussion and Analysis**

Des Moines County Regional Solid Waste Commission 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, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The Commission's operating revenues increased 10%, or \$228,218, from fiscal 2003 to fiscal 2004.
- Operating expenses increased 6%, or \$140,717 from fiscal 2003 to fiscal 2004.
- The Commission's net assets increased 2%, or \$145,629 from fiscal 2003 to fiscal 2004.
- Most of the capital expenditures in fiscal 2004 were related to the major construction phases of the leachate recirculation system and western leachate lagoon. This system is planned to become operational in fiscal 2005. Other capital expenditures involved some of the preliminary design and planning phases for the future landfill gas collection system, scheduled to begin operation in fiscal 2005 or 2006.

### **USING THIS ANNUAL REPORT**

The Des Moines County Regional Solid Waste Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Des Moines County Regional Solid Waste Commission'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 Commission's financial activities.
- The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission 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.

## FINANCIAL ANALYSIS OF THE COMMISSION

### Financial Position Summary

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets exceeded liabilities by \$6,292,489 at June 30, 2004, a \$(329,939.0) increase from 2003.

A summary of the Authority's net assets at June 30, 2004 is shown below:

	2004	2003
Assets:		
Current assets	\$ 2,464,362	\$ 2,544,957
Restricted investments	754,870	789,991
Capital assets	<u>4,700,585</u>	<u>4,370,087</u>
Total assets	<u>7,919,817</u>	<u>7,705,035</u>
Liabilities:		
Current liabilities	172,780	121,043
Noncurrent liabilities	<u>978,980</u>	<u>961,564</u>
Total liabilities	<u>1,151,760</u>	<u>1,082,607</u>
Net Assets:		
Invested in capital assets, net of related debt	4,367,085	3,998,587
Restricted	279,302	789,991
Unrestricted	<u>1,646,102</u>	<u>1,833,850</u>
Total net assets	<u>\$ 6,292,489</u>	<u>\$ 6,622,428</u>

The largest portion of the Commission's net assets each year represents its investment in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Commission also has net assets that are restricted for closure and postclosure care. State and federal laws and regulations require the Commission 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 assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

### Summary of Operations and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste, waste management fees from member governments, fees for acceptance of household hazardous waste and from the sale of recyclable materials collected. Operating expenses are paid to operate the landfill, recycling and household hazardous waste programs. Non-operating revenues and expenses are investment return, grant and other miscellaneous income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

A summary of revenues, expenses and changes in net assets for the year ended June 30, 2004 is presented below:

	2004	2003
Operating revenue:		
Gate receipts	\$ 1,836,841	\$ 1,666,974
Recycling	230,925	188,392
Waste management fee	401,640	392,301
Other operating revenues	<u>32,055</u>	<u>25,576</u>
Total operating revenue	<u>2,501,461</u>	<u>2,273,243</u>
Operating expenses:		
Salaries and benefits	1,045,645	988,624
Repairs and maintenance	158,400	132,891
Insurance	63,505	51,856
Regulatory assistance and leachate control	43,353	46,048
Garbage and drop off collection	27,043	21,140
Wood grinding & tire disposal	22,263	27,204
Occupancy	31,194	38,989
Telephone	8,290	8,165
Supplies, furniture and equipment	134,346	103,328
Contract service	111,325	84,488
DNR tonnage fees	96,938	95,446
Travel and training	14,557	13,737
Recycling rebates	26,483	18,333
Depreciation	525,528	507,422
Landfill closure and postclosure care	55,416	82,108
Other operating expenses	<u>50,589</u>	<u>54,379</u>
Total operating expenses	<u>2,414,875</u>	<u>2,274,158</u>
Operating income/(loss)	86,586	(915)
Non-operating revenues/(expenses), net	<u>59,043</u>	<u>308,093</u>
Increase in Net Assets	<u>\$ 145,629</u>	<u>\$ 307,178</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2004, operating revenues increased by \$228,218, or 10%, primarily as a result of gate fees increasing by \$169,867 and sales of recyclable materials increasing by \$42,533 due to an increase in the volume of collections. Non-operating revenues/(expenses) decreased by \$249,050 in fiscal 2004, primarily due to an increase in the market value of investments recorded in 2003.

### Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposit and reinvestment of interest income.

## **CAPITAL ASSETS**

At June 30, 2004, the Commission had \$4,700,585 invested in capital assets, net of accumulated depreciation of \$2,392,270. Depreciation charges totaled \$525,528 for fiscal year 2004. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

## **LONG-TERM LIABILITIES**

At June 30, 2004, the Commission had \$333,500 in debt outstanding, a decrease of \$38,000 from 2003. The debt consists of a loan payable to the Iowa Department of Natural Resources for a Solid Waste Alternatives Program project. The Commission has also recorded a liability of \$683,480 for closure and postclosure care costs, a \$55,416 increase over 2003. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

## **ECONOMIC FACTORS**

Des Moines County Regional Solid Waste Commission 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 Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission 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 accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Des Moines County Regional Solid Waste Commission, 1818 West Burlington Avenue, Burlington, Iowa 52601.

Respectfully submitted,

Hal Morton  
Executive Director

**Des Moines County Regional Solid Waste Commission**  
**Statement of Net Assets**  
**June 30, 2004**

**Assets**

Current Assets:

Cash	\$ 454,674
Certificates of deposit	1,558,721
Investments, at market value	228,206
Accounts receivable	207,333
Prepaid expenses	7,390
Accrued interest income	4,741
Inventory, at cost	<u>3,297</u>
Total current assets	<u>2,464,362</u>

Noncurrent assets:

Restricted investments, at market value	754,870
Capital assets (net of accumulated depreciation)	<u>4,700,585</u>
Total noncurrent assets	<u>5,455,455</u>

Total assets	<u>7,919,817</u>
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**Liabilities**

Current liabilities:

Accounts payable	80,262
Accrued expenses	54,518
Loan payable	<u>38,000</u>
Total current liabilities	<u>172,780</u>

Non-current liabilities:

Loan payable, net of current portion	295,500
Landfill closure and postclosure care	<u>683,480</u>
Total non-current liabilities	<u>978,980</u>

Total liabilities	<u>1,151,760</u>
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**Net assets**

Invested in capital assets, net of related debt	4,367,085
Restricted for:	
Closure	279,302
Postclosure care	475,568
Unrestricted	<u>1,646,102</u>
Total net assets	<u>\$ 6,768,057</u>

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2004 With Comparative Totals for 2003**

	<b>2004</b>	<b>2003 Comparative Totals</b>
Operating revenues:		
Gate receipts	\$ 1,836,841	\$ 1,666,974
Drop-off reimbursement	13,648	13,025
Recycling	230,925	188,392
Hazardous chemical fees	18,407	12,551
Waste management fee	<u>401,640</u>	<u>392,301</u>
Total operating revenues	<u>2,501,461</u>	<u>2,273,243</u>
Operating expenses:		
Salaries	713,040	682,017
Payroll taxes	99,273	94,751
Employee benefits	233,332	211,856
Worker's compensation insurance	35,397	28,972
Safety	7,677	15,941
Inspection and regulatory assistance	32,314	29,361
Garbage and drop-off collection	27,043	21,140
Wood grinding and tire disposal	22,263	27,204
Leachate control and well sampling	11,039	16,687
Repairs and maintenance	158,400	132,891
Rent	-	2,035
Utilities	31,194	36,954
Telephone	8,290	8,165
Insurance	28,108	22,884
Supplies	119,232	100,124
Advertising and public education	30,117	27,682
Furniture and equipment	15,114	3,204
Containers	3,724	2,694
Contract service	111,325	84,488
DNR tonnage fees	96,938	95,446
Shipping	5,225	6,593
Travel and training	14,557	13,737
Sales tax	3,190	1,469
Tire program	656	-
Recycling rebates	26,483	18,333
Depreciation	525,528	507,422
Landfill closure and postclosure care	<u>55,416</u>	<u>82,108</u>
Total operating expenses	<u>2,414,875</u>	<u>2,274,158</u>
Operating income (loss)	<u>86,586</u>	<u>(915)</u>
Non-operating revenues (expenses):		
Investment return	(3,060)	239,145
Interest expense	(3,708)	(2,781)
'Recycled 2 You' net retail sales	952	424
Grant income	14,488	44,758
Miscellaneous income	<u>50,371</u>	<u>26,547</u>
Net non-operating revenues (expenses)	<u>59,043</u>	<u>308,093</u>
Change in net assets	145,629	307,178
Net assets, beginning of year	<u>6,622,428</u>	<u>6,315,250</u>
Net assets, end of year	<u>\$ 6,768,057</u>	<u>\$ 6,622,428</u>

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission  
Statement of Cash Flows  
For the Year Ended June 30, 2004**

Cash flows from operating activities:	
Cash received from gate fees	\$ 1,819,405
Cash received from waste management fees	405,425
Cash received from other operating receipts	253,425
Cash payments to suppliers for goods and services	(1,067,779)
Cash payments to employees for services	<u>(707,147)</u>
Net cash provided by operating activities	<u>703,329</u>
Cash flows from capital and related financing activities:	
Cash received from grants and miscellaneous income	55,749
Loan proceeds	-
Principal payments on loan	(38,000)
Interest payments on loan	(3,708)
Purchase of fixed assets	<u>(856,026)</u>
Net cash (used) by capital and related financing activities	<u>(841,985)</u>
Cash flows from investing activities:	
Redemption of certificates of deposit and investments	2,021,610
Purchase of certificates of deposit and investments	(2,055,017)
Interest income	<u>34,872</u>
Net cash provided by investing activities	<u>1,465</u>
Net (decrease) in cash and cash equivalents	(137,191)
Cash and cash equivalents, beginning of year	<u>591,865</u>
Cash and cash equivalents, end of year	<u>\$ 454,674</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 86,586</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	525,528
Landfill closure and postclosure care accrual	55,416
Changes in assets and liabilities:	
(Increase) in accounts receivable	(23,206)
Decrease in prepaid expenses	4,362
Decrease in inventory	2,906
Increase in accounts payable	45,873
Increase in accrued expenses	<u>5,864</u>
Total adjustments	<u>616,743</u>
Net cash provided by operating activities	<u>\$ 703,329</u>

Cash consists of cash in checking accounts.

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies**

The Des Moines County Regional Solid Waste Commission was formed in 1990 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Des Moines County and to provide member cities and counties with solid waste disposal and resource recovery projects.

The Commission is composed of sixteen representatives from fifteen member cities and one representative from Des Moines County. The member cities are Burlington, West Burlington, Middletown, Danville, New London, Mediapolis, Salem, Mt. Pleasant, Morning Sun, Mt. Union, Winfield, Westwood, and Rome. The representatives are appointed by the political subdivisions to be represented. Each member is entitled to one vote per representative, except for Middletown, Salem, Mt. Union, Westwood, and Rome, which have elected to be planning members.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as described by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission 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 Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Entity 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 Entity. Des Moines County Regional Solid Waste Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Des Moines County Regional Solid Waste Commission are primarily organized as an Enterprise Fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that 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.

Measurement Focus

The financial statements are reported using the economic resources measurement focus and 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.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies** (continued)

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash Equivalents - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 included certificates of deposit of \$1,558,721.

Accounts Receivable - Accounts receivable at June 30, 2004 consist of receivables for landfill fees, recycling fees, waste management fees, and grant reimbursements.

Inventory - Inventory is accounted for at the lower of cost or market, using the first-in, first-out method.

Restricted Investments - Investments set aside for payment of closure and postclosure care costs are classified as restricted

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Building	5-30 years
Equipment, furniture & fixtures	5-15 years
Landfill expansion/improvement	15-26 years

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation is reported as an accrued expense and has been computed based on rates of pay in effect at June 30, 2004.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies** (continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2003

The financial information for the year ended June 30, 2003, presented for comparative purposes, is not intended to be a complete financial statement presentation.

**Note 2. Cash and Investments**

The Commission's deposits in banks at June 30, 2004 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 depositors to insure there will be no loss of public funds.

The Commission 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 Commission; 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 Commission's investments are categorized to give an indication of the level of risk assumed by the Commission at year end. The Commission's investments are all category 1, which means that the investments are insured or registered or the securities are held by the Commission or its agent in the Commission's name.

At June 30, 2004, the Commission held investments in U.S. Treasury Bond, Tennessee Valley Authority Zero Coupon and Financing Corporation Zero Coupon stripped interest payments. The strips had a market value of \$983,076 as of June 30, 2004 and are due May 1, 2007 to December 6, 2018. Investments valued at \$754,870 are restricted for landfill closure and postclosure financial assurance.

As of June 30, 2004, the Commission has invested in Certificates of Deposit as follows:

Burlington Bank & Trust	1.39 %	maturing	9/5/2004	\$	229,622
Burlington Bank & Trust	1.39 %	maturing	9/24/2004		114,580
Burlington Bank & Trust	1.39 %	maturing	11/26/2004		183,711
F&M Bank & Trust	1.35 %	maturing	7/31/2004		252,789
Danville Savings Bank	1.75 %	maturing	1/2/2005		126,628
Danville Savings Bank	2.30 %	maturing	12/7/2004		179,835
Danville Savings Bank	1.75 %	maturing	10/25/2004		207,517
Danville Savings Bank	2.05 %	maturing	6/2/2005		<u>264,039</u>
				\$	<u>1,558,721</u>

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 3. Accounts Receivable**

Components of accounts receivable consist of the following:

Landfill tipping fees	\$ 131,680
Waste Management fees	35,975
Recycling	28,954
Household Hazardous Waste program receivables	<u>10,724</u>
	<u>\$ 207,333</u>

**Note 4. Capital Assets**

A summary of capital assets at June 30, 2004 is as follows:

	<u>Beginning Balance</u>	<u>Purchased at cost</u>	<u>Disposi- tions</u>	<u>Ending Balance</u>
Land	\$ 208,413	\$ -	\$ -	\$ 208,413
Building	1,697,238	12,607	-	1,709,845
Equipment, furniture and fixtures	2,642,220	449,476	420,662	2,671,034
Landfill expansion/improvement	<u>2,109,620</u>	<u>393,943</u>	<u>-</u>	<u>2,503,563</u>
	<u>\$ 6,657,491</u>	<u>\$ 856,026</u>	<u>\$ 420,662</u>	<u>\$ 7,092,855</u>

Des Moines County donated property during the fiscal year ended June 30, 1991. This property has been recorded at the value carried on the records of the County as follows:

Land	\$ 166,550
Building	379,477
Equipment, furniture & fixtures	<u>93,693</u>
	<u>\$ 639,720</u>

**Note 5. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Commission's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$40,490, \$38,268, and \$35,368, respectively, equal to the required contributions for each year.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 6. Closure and Postclosure Care Cost**

To comply with federal and state requirements, the Commission is required to complete a monitoring system plan and a closure/postclosure plan 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 postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. 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 for thirty years.

Governmental Accounting Standards Board Statement No. 18, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, technology, or applicable laws or regulations. Although closure and postclosure costs will be paid as the landfill closes individual cells and near or after the date that the landfill stops accepting waste, the Commission reports a portion of these closure and post-closure care costs as a liability based on landfill capacity used as of each balance sheet date.

The \$683,480 reported as estimated liability for landfill closure and postclosure care costs at June 30, 2004, represents the cumulative amount reported to date based on the use of 38% of the estimated permitted capacity of the landfill. The Commission will recognize the remaining estimated cost of closure and postclosure care of \$1,376,821 as the remaining estimated permitted capacity is filled. The estimated remaining life of the permitted capacity is 53 years as of June 30, 2004.

Chapter 455B.306(8)(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 Association has begun accumulating resources to fund these costs, and at June 30, 2004, assets of \$754,870 are restricted for these purposes, of which \$279,302 is for closure and \$475,568 is for postclosure care. They are reported as restricted assets and restricted net assets on the balance sheet.

Also, pursuant to Chapter 567-11.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 6. Closure and Postclosure Care Cost** (continued)

Chapter 567-11.8(7) 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 landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**Note 7. Loan payable**

The Commission was selected by the Iowa Department of Natural Resources to participate in a Solid Waste Alternatives Program project. The award provided \$400,000 in the form of a forgivable loan of \$20,000, a zero interest loan of \$150,000, and 3% interest loan of \$230,000. The future maturities of the loan proceeds received are as follows:

	Principal	Interest
Year ended June 30, 2005	38,000	3,708
Year ended June 30, 2006	38,000	3,708
Year ended June 30, 2007	38,000	3,708
Year ended June 30, 2008	38,000	3,708
Thereafter (includes \$20,000 forgivable loan)	<u>181,500</u>	<u>15,758</u>
	<u>\$ 333,500</u>	<u>\$ 30,590</u>

**Note 8. Solid Waste Tonnage Fees Retained**

The Commission restricts and uses those portions of solid waste tonnage fees retained in accordance with Chapter 455B.310 of the Code of Iowa. As of June 30, 2004, there were no unspent amounts retained by the Commission that were required to be restricted.

**Note 9. Assets and Retained Earnings Designated by the Commission**

Remediation/Closure

As of June 30, 2004, the Commission had designated \$261,699 for landfill closure and postclosure care, and corrective action in addition to the financial assurance deposits required by State regulations.

Equipment Replacement

As of June 30, 2004, the Commission had designated \$323,108 for replacement of equipment used at the landfill.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 10. Risk Management**

The Des Moines County Regional Solid Waste Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Des Moines County Regional Solid Waste Commission is a member in the Iowa Communities Assurance Pool. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual 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 due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool. Members of the pool are never responsible, jointly or severally, for the liabilities of any other member.

**Note 11. Accounting Change**

For the year ended June 30, 2004, the Commission implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these statements had no effect on the beginning balances of the Commission.

**Des Moines County Regional Solid Waste Commission  
Supplementary Schedule of Revenue and Expenses  
For the Year Ended June 30, 2004**

	Landfill	Recycling Processing	Recycling Collection	Household Hazardous Waste and Building Materials	General and Admin	Total
Operating revenues:						
Gate receipts	\$ 1,836,841	\$ -	\$ -	\$ -	\$ -	\$ 1,836,841
Drop-off reimbursement	-	-	13,648	-	-	13,648
Recycling	-	230,925	-	-	-	230,925
Hazardous chemical fees	-	-	-	18,407	-	18,407
Waste management fee	-	247,740	153,900	-	-	401,640
Total operating revenues	<u>1,836,841</u>	<u>478,665</u>	<u>167,548</u>	<u>18,407</u>	<u>-</u>	<u>2,501,461</u>
Operating expenses:						
Salaries	236,626	121,030	143,107	37,232	175,045	713,040
Payroll taxes	32,436	17,329	20,440	5,258	23,810	99,273
Employee benefits	70,732	41,639	54,130	12,794	54,037	233,332
Worker's compensation insurance	17,028	8,516	8,516	629	708	35,397
Safety	2,418	1,819	1,352	919	1,169	7,677
Inspection and regulatory assistance	32,314	-	-	-	-	32,314
Garbage and drop-off collection	6,568	5,775	14,700	-	-	27,043
Wood grinding and tire disposal	22,263	-	-	-	-	22,263
Leachate control and well sampling	11,039	-	-	-	-	11,039
Repairs and maintenance	124,992	21,570	11,656	182	-	158,400
Utilities	12,213	17,972	-	1,009	-	31,194
Telephone	-	-	1,905	1,289	5,096	8,290
Insurance	-	-	-	1,093	27,015	28,108
Supplies	72,451	14,434	9,516	4,757	18,074	119,232
Advertising and public education	-	-	-	7,209	22,908	30,117
Furniture and equipment	6,988	5,988	-	2,138	-	15,114
Containers	-	3,724	-	-	-	3,724
Contract service	35,746	667	23,882	12,348	38,682	111,325
DNR tonnage fees	96,938	-	-	-	-	96,938
Shipping	-	5,225	-	-	-	5,225
Travel and training	2,107	-	-	3,730	8,720	14,557
Sales tax	3,190	-	-	-	-	3,190
Tire program	656	-	-	-	-	656
Recycling rebates	-	26,483	-	-	-	26,483
Depreciation	396,683	85,997	22,600	12,789	7,459	525,528
Landfill closure and postclosure care	55,416	-	-	-	-	55,416
Total operating expenses	<u>1,238,804</u>	<u>378,168</u>	<u>311,804</u>	<u>103,376</u>	<u>382,723</u>	<u>2,414,875</u>
Operating income (loss)	<u>598,037</u>	<u>100,497</u>	<u>(144,256)</u>	<u>(84,969)</u>	<u>(382,723)</u>	86,586
Non-operating revenues (expenses):						
Investment return						(3,060)
Interest expense						(3,708)
'Recycled 2 You' net retail sales						952
Grant income						14,488
Miscellaneous income						<u>50,371</u>
Change in net assets						<u>\$ 145,629</u>

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## **Independent Auditor's Combined Report on Compliance and Internal Control Over Financial Reporting**

To the Commission Board Members  
Des Moines County Regional Solid Waste Commission  
Burlington, Iowa

We have audited the financial statements of the Des Moines County Regional Solid Waste Commission, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

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

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. 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. There were no prior year statutory comments.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Des Moines County Regional Solid Waste Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended for the information and use of the members and constituents of the Des Moines County Regional Solid Waste Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Des Moines County Regional Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Walker Egerton & Hunsaker PC*

August 25, 2004

**Des Moines County Regional Solid Waste Commission**  
**Schedule of Findings**  
**Year Ended June 30, 2004**

**Findings Related to the Financial Statements:**

**Reportable Conditions**

- (A) Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control of all general ledger functions; collecting, journalizing and posting of some receipts; bank reconciliations; and investment transactions.

Recommendation - We realize that with a limited number of employees, segregation of duties is difficult. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - Due to the limited number of office employees, segregation of duties is very difficult, however, it is our policy to have the manager review cash receipts, posting, and payroll on a test basis and bank reconciliations monthly. In addition, all cash disbursements require a second signature and are reviewed and approved by the Commission.

Conclusion - Response accepted.

**Other Findings Related to Statutory Reporting:**

- (1) Official Depositories - A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.
- (4) Authority Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Authority's investment policy were noted.

**Des Moines County Regional Solid Waste Commission  
Schedule of Findings  
Year Ended June 30, 2004**

**Other Findings Related to Statutory Reporting:** (continued):

- (6) Solid Waste Fees Retained - During the year ended June 30, 2004, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (7) Financial Assurance - The Authority has not demonstrated financial assurance for closure and postclosure care costs by funding the local government dedicated fund at the level prescribed in Environmental Protection Commission Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 296,568	\$ 502,646
Less: Balance of funds held in the local dedicated fund at June 30, 2003	(292,297)	(497,694)
	4,271	4,952
Divided by four, the number of years remaining in the pay-in period	1,068	1,238
Balance of funds held in the local dedicated fund at June 30, 2003	292,297	497,694
Required balance of funds held in the local dedicated fund at June 30, 2003	\$ 293,365	\$ 498,932
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2003	\$ 279,302	\$ 475,568

Recommendation - The Commission should demonstrate financial assurance by designating and funding amounts sufficient to comply with the Iowa Administrative Code requirements.

Response - The amount reserved for closure and postclosure care fell below the required balance of funds to be held due to a temporary decline in the market value of the investments. Historically, payments due have been covered by the increase in value of the investments. At September 30, 2004 the market value of the investments increased to \$827,554, which exceeds the required balance of funds to be held in the local dedicated funds.

Conclusion - Response accepted.