

**WASTE COMMISSION OF
SCOTT COUNTY**

Independent Auditor's Reports
Financial Statements and
Supplemental Information
Schedule of Findings

June 30, 2004

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WASTE COMMISSION OF SCOTT COUNTY

OFFICIALS

Name	Title	Representing
Vernon Spring	Chairperson	LeClaire
C.H. Schaefer	Vice-Chairperson	Scott County
Charlie Brooke	Member	Davenport
Barney Barnhill	Member	Davenport
Michael Freemire	Member	Bettendorf
Kathy Morris	Director	
John Copley	Operations Manager	
Keith Krambeck	Special Waste Manager	
Jim Verschoore	Recycling Facility Manager	

INDEPENDENT AUDITOR'S REPORT

Waste Commission of Scott County
P.O. Box 563
Buffalo, IA 52728

We have audited the accompanying statement of net assets of the Waste Commission of Scott County as of June 30, 2004, and the related statements of revenue, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Waste Commission of Scott County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audits 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 respective financial position of Waste Commission of Scott County, each major fund and the aggregate remaining fund information as of June 30, 2004, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 11 to the financial statements, Waste Commission of Scott County 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, for fiscal year ending June 30, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2004, on our consideration of Waste Commission of Scott County'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 an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Waste Commission of Scott County's basic financial statements. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have 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 thereon.



HUCKFELDT & SMITH, P.L.C.
September 28, 2004

**WASTE COMMISSION OF
SCOTT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Waste Commission of Scott County 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.

This Discussion and Analysis is intended to serve as an introduction to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues increased 65%, or \$262,542 from fiscal 2003 to fiscal 2004. The Commission's landfill gates fees have declined by 3%, or \$96,618. It's fees and collectibles from the Material Recycling Facility have increased by 40%, or \$260,360, and the fees from Household Hazardous Waste Collections have increased by 81%, or \$98,800. The Commission feels that this shift in revenue is the direct result of their education and management program to reduce the volume of landfilling in Scott County due to the increased volume in recycling.
- The Commission's operating expenses were 3%, or \$108,405, less in fiscal 2004 than in fiscal 2003.
- The Commission's net assets increased 4%, or \$314,348, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Waste Commission of Scott County is an 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. 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 Commission 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.

WASTE COMMISSION OF SCOTT COUNTY
Management's Discussion and Analysis
June 30, 2004

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.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission can be divided into two categories: governmental and fiduciary funds.

FINANCIAL ANALYSIS OF THE COMMISSION

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2004 totaled approximately \$8,028,555. This compares to \$7,714,238 for fiscal 2003. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	2004	2003
Current Assets	\$ 3,993,319	\$ 4,220,747
Restricted Investments	3,909,968	3,842,727
Capital Assets at cost, less accumulated depreciation	7,566,111	6,737,363
Total Assets	15,469,398	14,800,837
Current Liabilities	951,666	543,007
Noncurrent Liabilities	6,489,177	6,543,592
Total Liabilities	7,440,843	7,086,599
Net Assets:		
Invested in capital assets, net of related debt	2,730,122	2,012,363
Restricted	3,970,751	3,933,168
Unrestricted	1,327,682	1,768,707
Total Net Assets	\$ 8,028,555	\$ 7,714,238

A portion of the Commission's net assets (51%) is restricted for closure and post-closure care and for tonnage fees due to the State of Iowa. 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 net assets invested in capital assets e.g., land, buildings and equipment, less the related debt portion of net assets are resources allocated to capital assets, is 26% of net assets. The remaining net assets (23%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

WASTE COMMISSION OF SCOTT COUNTY

Management's Discussion and Analysis

June 30, 2004

Operating revenues are received for gate fees from accepting solid waste, fees charged for the acceptance of recycling materials at the recycling center, sales of sorted recycled materials to material processors, and fee collections from the disposal of Household Hazardous Waste. 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 and significant expenses for the years ended June 30, 2004 and 2003 is presented below:

	Changes in Net Assets	
	Year Ended June 30,	
	2004	2003
Operating Revenue:		
Landfill Gate Fees	\$ 3,119,745	\$ 3,216,363
Recycling Fees	915,382	655,022
Household Hazardous Waste Collection Fees	220,225	121,425
Total Operating Revenue	<u>4,255,352</u>	<u>3,992,810</u>
Operating Expenses:		
Salaries	1,054,392	1,022,732
Employee Benefits & Payroll Taxes	318,830	284,643
Site Costs	443,175	708,066
Professional Fees	175,846	78,916
Insurance	112,275	96,522
Closure and Postclosure Care Costs	340,743	339,990
Iowa Department of Natural Resources Tonnage Fees	173,609	183,538
Depreciation	537,812	541,638
Other	676,384	684,733
Total Operating Expenses	<u>3,833,066</u>	<u>3,940,778</u>
Income	<u>422,286</u>	<u>52,032</u>
Non-operating Revenues (Expenses):		
Interest Income	117,401	158,479
Interest Expense	(287,831)	(297,819)
Other	62,492	5,813
Net Non-operating Revenue (Expense)	<u>(107,938)</u>	<u>(133,527)</u>
Change in Net Assets	<u>\$ 314,348</u>	<u>\$ (81,495)</u>

WASTE COMMISSION OF SCOTT COUNTY
Management's Discussion and Analysis
June 30, 2004

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.

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 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 deposits and interest income.

CAPITAL ASSETS

At June 30, 2004, the Commission had approximately \$7,566,111 invested in capital assets, net of accumulated depreciation of approximately \$4,790,478. Depreciation charges totaled \$537,812 for fiscal 2004. More detailed information about the Commission's capital assets is presented in Note 12 to the financial statements.

LONG TERM DEBT

At June 30, 2004, the Commission had \$4,835,988 in debt outstanding, a decrease of \$339,288 from 2003. The table below summarizes outstanding debt by type:

	June 30,	
	2004	2003
Loan Payable - See Note 13	\$ 110,988	\$ 130,276
Bonds Payable - See Note 8	4,725,000	5,045,000
Total	\$ 4,835,988	\$ 5,175,276

OTHER NON-CURRENT LIABILITY

As described in Note 7 to the financial statements, the Commission has estimated the total landfill closure and post-closure care costs of closing the landfill. These costs are recognized over the operating life of the landfill. The recognition of these annual costs increases tax liability. The liability is decreased by any current expenditures, such as costs to close operating cells at the landfill, for closure costs. The balance of this liability increased by \$305,783 during fiscal 2004.

	June 30	
	2004	2003
Estimated Liability for Landfill Closure and Post-Closure Care	\$2,013,387	\$1,707,604

WASTE COMMISSION OF SCOTT COUNTY
Management's Discussion and Analysis
June 30, 2004

ECONOMIC FACTORS

The Waste Commission of Scott County 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 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 post-closure 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 Commissions ability to react to unknown issues.

CONTACTING THE COMMISSION'S MANAGEMENT

This financial report is designed to provide our constituents with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact Waste Commission of Scott County, PO Box 563, Buffalo, Iowa 52728.

**WASTE COMMISSION
OF SCOTT COUNTY**

BASIC FINANCIAL STATEMENTS

WASTE COMMISSION OF SCOTT COUNTY
Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

	Landfill Fund	Cell Construction Fund	Equipment Replacement Fund	Closure Fund	Post-Closure Fund	Recycling Facility Fund	Hazardous Waste Fund	Non-Major Funds	Total
OPERATING REVENUES:									
User Fees	\$ 3,119,745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 915,382	\$ 220,225	\$ 0	\$ 4,255,352
COST OF OPERATIONS:									
Wages and Salaries	375,435	0	0	0	0	302,465	94,754	0	772,654
Payroll Taxes	33,078	0	0	0	0	13,497	7,187	0	53,762
Employee's Insurance	74,619	0	0	0	0	40,452	28,005	0	143,076
IPERS	23,779	0	0	0	0	10,145	5,402	0	39,326
General Insurance	112,275	0	0	0	0	0	0	0	112,275
Fuel, Oil and Antifreeze	58,130	0	0	0	0	1,800	323	0	60,253
Equipment Maintenance	51,349	0	0	0	0	10,136	294	0	61,779
Grounds Maintenance	10,266	0	0	0	0	9,546	135	0	19,947
Building Maintenance	9,970	0	0	0	0	10,207	1,889	0	22,066
Shop Supplies	3,922	0	0	0	0	21,941	14,261	0	40,124
Small Tools	167	0	0	0	0	1,068	1,341	0	2,576
Engineering	133,429	0	0	0	0	0	0	0	133,429
Land Rent	137,370	0	0	0	0	0	0	0	137,370
Depreciation	359,461	0	0	0	0	168,094	10,257	0	537,812
Miscellaneous Site Costs	384,721	58,454	0	0	0	0	0	0	443,175
Recycling Expenses	138	0	0	0	0	0	50,044	0	50,182
Solid Waste Fee	183,538	0	0	0	0	0	0	0	183,538
Total Cost of Operations	1,951,647	58,454	0	0	0	589,351	213,892	0	2,813,344
GROSS PROFIT (LOSS)	\$ 1,168,098	\$ (58,454)	\$ 0	\$ 0	\$ 0	\$ 326,031	\$ 6,333	\$ 0	\$ 1,442,008

See Notes to Financial Statements

WASTE COMMISSION OF SCOTT COUNTY
Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

	Landfill Fund	Cell Construction Fund	Equipment Replacement Fund	Closure Fund	Post-Closure Fund	Recycling Facility Fund	Hazardous Waste Fund	Non-Major Funds	Total
GROSS PROFIT (LOSS)	\$ 1,168,098	\$ (58,454)	\$ 0	\$ 0	\$ 0	\$ 326,031	\$ 6,333	\$ 0	\$ 1,442,008
ADMINISTRATIVE EXPENSES:									
Director Salaries	64,133	0	0	0	0	8,017	8,017	0	80,167
Administrative Salaries	173,155	0	0	0	0	28,416	0	0	201,571
Payroll Taxes	13,273	0	0	0	0	782	607	0	14,662
IPERS	9,976	0	0	0	0	588	457	0	11,021
Employees' Insurance	48,494	0	0	0	0	6,991	1,498	0	56,983
Utilities	28,207	0	0	0	0	31,127	0	0	59,334
Professional Services	42,417	0	0	0	0	0	0	0	42,417
Office Supplies	15,627	0	0	0	0	1,749	0	0	17,376
Office Equipment Maintenance	5,853	0	0	0	0	873	0	0	6,726
Public Information and Education	151,721	0	0	0	0	0	0	0	151,721
Bad Debts	6,630	0	0	0	0	0	0	0	6,630
Travel and Training	26,881	0	0	0	0	0	0	0	26,881
Miscellaneous	3,490	0	0	0	0	0	0	0	3,490
Total Administrative Expenses	589,857	0	0	0	0	78,543	10,579	0	678,979
OPERATING INCOME (LOSS)	578,241	(58,454)	0	0	0	247,488	(4,246)	0	763,029
OTHER INCOME (EXPENSES):									
Interest Income	117,393	0	0	0	0	0	0	8	117,401
Interest Expense	(200,094)	0	0	0	0	(87,737)	0	0	(287,831)
Grant Income	66,672	0	0	0	0	0	0	0	66,672
Late Charges Income	27,784	0	0	0	0	251	0	0	28,035
Host Community Benefit	(69,841)	0	0	0	0	0	0	0	(69,841)
Closure Costs	(340,743)	0	0	0	0	0	0	0	(340,743)
State Reimbursements	0	0	0	0	0	0	36,405	0	36,405
Miscellaneous Income	0	0	0	0	0	0	1	1,220	1,221
Net Other Income (Expenses)	(398,829)	0	0	0	0	(87,486)	36,406	1,228	(448,681)
NET INCOME (LOSS)	179,412	(58,454)	0	0	0	160,002	32,160	1,228	314,348
NET TRANSFERS IN (OUT)	(36,362)	429,854	(238,540)	67,241	0	(83,638)	(34,220)	(104,335)	0
NET ADJUSTMENTS TO NET ASSETS	143,050	371,400	(238,540)	67,241	0	76,364	(2,060)	(103,107)	314,348
NET ASSETS - Beginning	245,567	278,194	1,221,380	1,219,228	2,008,499	1,420,688	294,039	1,026,612	7,714,207
NET ASSETS - Ending	\$ 388,617	\$ 649,594	\$ 982,840	\$ 1,286,469	\$ 2,008,499	\$ 1,497,052	\$ 291,979	\$ 923,505	\$ 8,028,555

See Notes to Financial Statements

WASTE COMMISSION OF SCOTT COUNTY

Comparative Statements of Cash Flows

For the Year Ended June 30, 2004

	Landfill		Cell		Construction		Equipment		Closure		Post-Closure		Recycling		Hazardous		Non-Major		Total
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:																			
Cash Received from Customers	\$ 3,035,573	\$	0	\$	0	\$	0	\$	0	\$	0	\$	893,874	\$	214,727	\$	1,220	\$	4,145,394
Cash Received from Grants	66,672		0		0		0		0		0		0		0		0		66,672
Cash Paid for Goods & Services	(1,639,428)		(58,454)		0		0		0		0		(161,209)		(115,023)		0		(1,974,114)
Cash Paid to Employees	(605,789)		0		0		0		0		0		(336,662)		(101,889)		0		(1,044,340)
Cash from State Reimbursements	0		0		0		0		0		0		0		36,405		0		36,405
	0		0		0		0		0		0		0		0		0		0
NET CASH PROVIDED (CONSUMED) BY OPERATIONS	857,028		(58,454)		0		0		0		0		396,003		34,220		1,220		1,230,017
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES																			
Transfers (to) from Other Funds	(36,362)		429,854		(238,540)		67,241		0		(83,638)		0		(34,220)		(104,335)		0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:																			
Interest Paid	(192,292)		0		0		0		0		0		(88,123)		0		0		(280,415)
Acquisition of Capital Assets-Net of Disposals	(848,986)		0		0		0		0		0		(108,954)		0		0		(957,940)
Principal Payments on Long Term Debt	0		0		0		0		0		0		(19,288)		0		0		(19,288)
Principal Payments on Bonds	(224,000)		0		0		0		0		0		(96,000)		0		0		(320,000)
NET CASH CONSUMED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,265,278)		0		0		0		0		0		(312,365)		0		0		(1,577,643)
CASH FLOWS FROM INVESTING ACTIVITIES:																			
Interest on Cash and Investments	117,454		0		0		0		0		0		0		0		8		117,462
(Purchase) of Investments - Net of Sales	275,200		110,556		238,540		(67,241)		0		0		0		0		104,335		661,390
CASH PROVIDED (CONSUMED) BY INVESTING ACTIVITIES	392,654		110,556		238,540		(67,241)		0		0		0		0		104,343		778,852
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(51,958)		481,956		0		0		0		0		0		0		1,228		431,226
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	200,293		0		0		0		0		0		0		0		0		200,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 148,335		\$ 481,956		\$ 0		\$ 0		\$ 0		\$ 0		\$ 0		\$ 0		\$ 1,228		\$ 631,519
Reconciliation of operating Income (Loss) to Net Cash Provided (Consumed) by Operating Activities																			
Operating Income (Loss)	\$ 578,241		\$ (58,454)		\$ 0		\$ 0		\$ 0		\$ 0		\$ 247,488		\$ (4,246)		\$ 0		\$ 763,029
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:																			
Depreciation	359,461		0		0		0		0		0		168,094		10,257		0		537,812
Late Charges	27,784		0		0		0		0		0		251		0		0		28,035
Closure Costs	(340,743)		0		0		0		0		0		0		0		0		(340,743)
Host Community Payment	(69,841)		0		0		0		0		0		0		0		0		(69,841)
Grant Income	66,672		0		0		0		0		0		0		0		0		66,672
State Reimbursements	0		0		0		0		0		0		0		36,405		0		36,405
Miscellaneous Income	0		0		0		0		0		0		0		1		1,220		1,221
Change in Cash due to Changes in Current Assets and Current Liabilities:																			
(Increase) Decrease in Accounts Receivable	(5,548)		0		0		0		0		0		(21,759)		(6,136)		0		(33,443)
Decrease in Interest Receivable	(61)		0		0		0		0		0		0		0		0		(61)
(Increase) Decrease in Prepaid Expenses	(40,142)		0		0		0		0		0		0		0		0		(40,142)
(Increase) Decrease in Grants Receivable	0		0		0		0		0		0		0		0		0		0
Increase (Decrease) in Accounts Payable	4,519		0		0		0		0		172		0		(2,940)		0		1,751
Increase (Decrease) in Accrued Expenses	276,686		0		0		0		0		1,757		0		879		0		279,322
NET CASH PROVIDED (CONSUMED) BY OPERATIONS	\$ 857,028		\$ (58,454)		\$ 0		\$ 0		\$ 0		\$ 0		\$ 396,003		\$ 34,220		\$ 1,220		\$ 1,230,017

See Notes to Financial Statements

WASTE COMMISSION OF SCOTT COUNTY
Notes to Financial Statements
June 30, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. 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 Commission accounts for its financial position and results of operations in accordance with generally accepted accounting principles established by the Government Accounting Standards Board. The Commission's funds are accounted for on the accrual basis of accounting. Revenues are recognized when they are earned and become measurable and expenses are recognized or recorded when they are incurred, if measurable.

The accounts of the Commission are 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.

b. Reporting Entity:

The Waste Commission of Scott County provides waste disposal for all communities and rural areas of Scott County. The Commission was formed as the Scott County Sanitary Landfill Commission in 1972 under a 28-E agreement which was amended and renamed in 1990 and 2000. The Commission consists of the Chairman of the Scott County Board of Supervisors, the Mayor of Davenport, the Mayor of Bettendorf, one Alderman from the City of Davenport, and one or two mayors from smaller communities selected by a caucus of representatives of these communities.

All significant activities and organizations on which the Commission exercises oversight responsibility have been included in the Commission's general purpose financial statements, for the year ended June 30, 2004. The Commission has also

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

b. Reporting Entity (Continued):

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 Commission 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 Commission. The Waste Commission of Scott County has one component unit which meet the Governmental Accounting Standards Board criteria.

The Commission is designed to manage the waste disposal stream of Scott County, Iowa. These management activities include, but are not limited to the operation of a local landfill, operation of recycling facilities, operation of household hazardous waste facility, planning, and educating the County's residents in waste management.

The Landfill receives no City or County subsidy, but operates strictly from gate fee revenues.

c. 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.

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.

In reporting the financial activity of its enterprise fund, the Commission applied 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.

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Investments:

Investments are recorded at cost, which is the same as market. They consist of Certificates of Deposit and designated Money Market accounts.

e. Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land Improvements	10-25 Years
Buildings	15-40 Years
Furniture and Fixtures	5-6 Years
Equipment	5-15 Years

Depreciation of all exhaustible fixed assets is charged as an expense against operations.

The cost of assets sold, retired, or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

f. Accounts Receivable:

Waste Commission of Scott County uses the percent of sales method for recording bad debts. The bad debts allowance at June 30, 2004 and 2003 was \$15,000.

g. Income Taxes:

The Commission is a division of local government; therefore, it is exempt from all income taxes.

h. Statement of Cash Flows:

For purposes of reporting cash flows all Certificate of Deposits are considered to be investments. None of them are treated as cash equivalents regardless of maturity date.

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Statement of Cash Flows (Continued):

The net increase in cash is derived from the change in Cash on Hand, Cash in Bank, Nondesignated Money Market Accounts, and designated Money Market Accounts.

Money Market funds are divided into two categories:

1) Money Market - undesignated are those funds that are available to Commission Management for everyday use.

2) Money Market - designated are funds that the Commission has set aside for specific purposes. These funds are treated as investments for cash flow purposes.

The total cash disbursed for interest in years ended June 30, 2004 and 2003 respectively was \$280,415 and \$299,035.

The accounts payable increase of \$416,512 in the Cell Construction Fund has been omitted from the reconciliation of operating income (loss) to net cash provided by operations since this amount represents a non-cash transaction. This payable stems from equipment purchases that are also not recorded on the cash flow statement.

i. Budgets and Budgetary Accounting:

The Commission annually adopts a budget for all funds. The annual budget may be amended during the year by obtaining approval from the Commission as a whole.

j. Restricted Assets:

Funds set aside for payment of certain obligations are reserved. Funds currently reserved are to pay closure and post closure costs, for solid waste purposes as outlined in note 5, and as security for the bond issue as required by the agreement.

Note 2 - CASH AND INVESTMENTS:

Cash and investments are stated at cost.

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

Note 2 - CASH AND INVESTMENTS (CONTINUED):

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 depositories 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-ended management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Net Investment Income for the year ended June 30, 2004 is \$117,401.

Note 3 - SITE COSTS:

Site costs represent the cost of preparing the hole for use, and include all applicable costs in moving the dirt. The estimate of value is based upon available hole space at its excavation cost and upon management observations and computations. As the hole is filled and the available cubic yards decrease, these costs will be charged against operations.

Note 4 - LAND RENTAL:

The Commission conducts its operations from facilities located on a 270 acre site that is leased from Linwood Mining and Minerals Corp. The lease covers active landfilling and monitors closure of the landfill premises. It is expected that active landfilling will continue for 40 years, and closure monitoring will be done for the current Federal mandate of 30 years. Rent shall be paid annually in arrears, in one installment due 30 days following the anniversary date of when the Commission began actively filling the site.

Rent is calculated at \$1.10 per ton of solid waste deposited in the new landfill. On the second anniversary date of this agreement and on each anniversary date thereafter, the rate per ton collected shall increase by the same percentage that tipping fees, exclusive of any solid waste fees, charged to customers of the Commission increase.

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

Note 4 – LAND RENTAL (CONTINUED):

Rent during closure will be \$30,000 per year, increased by a percentage based on the increase in rates during operations.

The Commission has also entered into a Landfill Closure lease for their old site with an annual rent of \$30,000, adjusted annually to the Consumer Price Index. This Closure lease has the option of extension if required by the Department of Natural Resources. The Commission is currently managing the facility under the closure lease.

Estimated Future Rent Expense

FYE 6/30/05	\$176,000
FYE 6/30/06	\$176,000
FYE 6/30/07	\$176,000
FYE 6/30/08	\$176,000
FYE 6/30/09	\$176,000

Note 5 - SOLID WASTE FEE:

The Commission pays a fee to the State of Iowa quarterly based on solid waste deposited at the landfill. The solid waste fee is \$3.65 per ton. The Commission retains \$1.55 of this fee and the balance is remitted to the Department of Natural Resources on a quarterly basis. As of June 30, 2004 the account balances were:

Cash	\$ 60,783
Payable to the State	\$ 37,455
Expense for the Year	\$183,538

The Commission has established an account for restricting and using those portions of solid waste tonnage fees retained by the Commission 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 may be retained but 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. One dollar and fifty-five cents of the retained funds shall be disbursed for implementation of waste volume reduction and recycling required by the Commission's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities.

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

Note 6 - 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, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual 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 \$50,347, \$50,267 and \$47,499, respectively, equal to the required contributions for each year.

Note 7 - CLOSURE AND POST-CLOSURE CARE COSTS:

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

Governmental Accounting Standards Board Statement No. 18, requires landfill owners to estimate total landfill closure and post-closure 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 post-closure monitoring and care; (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

Note 7 - CLOSURE AND POST-CLOSURE CARE COSTS - (CONTINUED):

The total future costs for the Commission have been estimated at \$8,539,451 as of June 30, 2004, and the portion of the liability that has been recognized is \$2,013,387. This liability represents the cumulative amount reported to date based on the use of approximately 30 percent of the capacity of the landfill with a remaining life of twenty-three years. A provision for the above liability has been made on the Commission's balance sheet 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 post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun accumulating resources to fund these costs, and, at June 30, 2004 assets of \$3,294,968 are restricted for these purposes, of which \$1,286,469 is for closure and \$2,008,499 is for post-closure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and post-closure 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.

Chapter 567-111.8(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 post-closure care account requirements. Accordingly, the landfill is not required to establish closure and post-closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

NOTE 8 - BONDS PAYABLE:

Revenue bonds were issued by the Commission to finance the creation of a new landfill site and recycling facility. The bonds are payable solely from the income of the operation of the landfill and recycling facility.

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

NOTE 8 - BONDS PAYABLE (CONTINUED):

Annual debt service requirements to maturity for the bonds are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	5.125	340,000	258,702	598,702
2006	5.2	360,000	241,278	601,278
2007	5.2	380,000	222,557	602,557
2008	5.3	400,000	202,798	602,798
2009	5.4	420,000	181,597	601,597
2010	5.5	445,000	158,917	603,917
2011	5.55	475,000	134,443	609,443
2012	5.6	505,000	108,080	613,080
2013	5.7	535,000	79,800	614,800
2014	5.7	565,000	49,305	614,305
2015	5.7	<u>300,000</u>	<u>17,100</u>	<u>317,100</u>
TOTAL		<u>\$4,725,000</u>	<u>\$1,654,577</u>	<u>\$6,379,577</u>

The Commission and Scott County have entered into an agreement which provides that the County will issue its General Obligation Solid Waste Disposal Bonds to pay the cost of acquiring, constructing, and equipping works and facilities useful for the collection, treatment, and disposal of solid waste, that the Commission will make annual payments to the County in amounts sufficient to pay the debt service on the County Bonds and the Commission will issue its Solid Waste Disposal Revenue Bond in an amount not exceeding the amount of the County Bonds to evidence its obligation under the agreement.

NOTE 9 - RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

NOTE 10 - NON CASH ACTIVITY:

The Commission entered into a joint venture with the City of Davenport to construct and operate a composting facility for the disposal and recycling of yard wastes. Since the facility is operated on City property, owned by the City and run in conjunction with City facilities, all assets have been turned over to the City.

WASTE COMMISSION OF SCOTT COUNTY

Notes to Financial Statements

June 30, 2004

NOTE 10 - NON CASH ACTIVITY (CONTINUED):

The Agreement with the City calls for them to continue to take yard waste from the County for deposit into the composting site. The Commission also has retained the authority to review, evaluate, and approve all rates charged to county members. But the Commission retains no effective control over the facility, consequently its operating results are not included in these statements.

NOTE 11 - ACCOUNTING CHANGE:

The Governmental Accounting Standards Board issued 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. These statements have been implemented for the fiscal year ending June 30, 2004. Implementation of these statements had no effect on the beginning balances of the Commission.

NOTE 12 – CAPITAL ASSETS:

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

	Balance Beginning of Year as Restated	Increase	Decrease	End of Year
Capital assets not being depreciated	\$ 349,497	\$ 420,501	\$ 0	\$ 769,998
Capital assets being depreciated	10,701,176	926,195	(40,780)	11,586,591
Total capital assets	11,050,673	1,346,696	(40,780)	12,356,589
Less accumulated depreciation	(4,313,310)	(537,812)	60,644	(4,790,478)
Total capital assets, net	<u>\$ 6,737,363</u>	<u>\$ 808,884</u>	<u>\$ 19,864</u>	<u>\$ 7,566,111</u>

Notes to Financial Statements
June 30, 2004

NOTE 13 – NOTES PAYABLE:

Notes Payable as of June 30, 2004, consists of the following:

IOWA DEPARTMENT OF NATURAL RESOURCES

In Fiscal 2002 the Commission entered into contract number 01-G550-21 with the Iowa Department of Natural Resources to build an education center. Part of this contract was a \$175,000 loan at 0% interest. The Commission makes quarterly payments of \$6,250. The Commission has inputted interest on this loan at 4.64%. Remaining payment details are:

Total Payments	Total Unpaid Interest	Net Debt to Be Repaid	Current Portion	Long Term Portion
\$ 125,000	\$ 14,012	\$ 110,988	\$ 20,198	\$ 90,790

Future Principal Payments on this loan are:

<u>For the Year Ended</u>	
June 30, 2005	\$20,198
June 30, 2006	\$21,152
June 30, 2007	\$22,150
June 30, 2008	\$23,196
June 30, 2009	\$24,292

NOTE 14 – CONCENTRATION OF CREDIT RISK:

The Waste Commission of Scott County collects waste and recyclable materials. Most of these collections are done in Scott County, Iowa. Their receivables are from customers located in the Quad Cities and from home offices located outside the area.

**WASTE COMMISSION
OF SCOTT COUNTY**

SUPPLEMENTAL INFORMATION

WASTE COMMISSION OF SCOTT COUNTY
Schedule of Indebtedness
For the Year Ended June 30, 2004

GENERAL OBLIGATION BONDS

Date of Issuance	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
6/1/95	4.9 to 5.7	\$ 7,100,000	\$ 5,045,000	\$ 320,000	\$ 4,725,000	\$ 274,703	\$ 20,840

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Members of the
Waste Commission of Scott County

We have audited the general purpose financial statements of Waste Commission of Scott County as of and for the year ended June 30, 2004, and have issued our report thereon dated September 28, 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 Waste Commission of Scott County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commissions operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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.

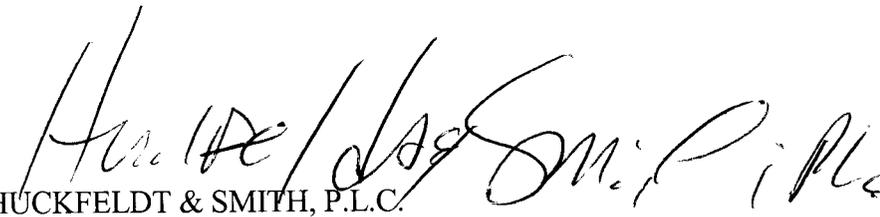
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waste Commission of Scott County'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 did not note any 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 Waste Commission of Scott County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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. There were no prior year reportable conditions.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Waste Commission of Scott County 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 Waste Commission of Scott County 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.



HUCKFELDT & SMITH, P.L.C.

September 28, 2004

**WASTE COMMISSION
OF SCOTT COUNTY**

SCHEDULE OF FINDINGS

WASTE COMMISSION OF SCOTT COUNTY
Schedule of Findings
Year Ended June 30, 2004

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

None noted.

Other Findings Related to Statutory Reporting:

1. Official Depositories – A resolution naming official depositories has been adopted by the Commission.
2. Questionable Expenses – No expenses 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 expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
4. Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
5. Deposits and Investments – The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
6. Solid Waste Tonnage Fees Retained – During the year ended June 30, 2004, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

WASTE COMMISSION OF SCOTT COUNTY

Schedule of Findings
Year Ended June 30, 2004

7. Financial Assurance - The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(6) of the Iowa Administrative Code. The calculation is made as follows:

a. Financial Component:

- (1.) Cash and Marketable Securities \geq .05
Annual Expenditures

$$\frac{631,519 + 5,760,292}{4,823,638} = 1.33$$

$$1.33 \geq .05$$

and

- Annual Debt Service \leq .20
Annual Expenditures

$$\frac{619,703}{4,823,638} = .13$$

$$.13 \leq .20$$

- (2.) The Commission prepares its financial statements in conformity with Generally accepted Accounting Principles and its financial statements are audited by an independent certified public accountant. The financial statements are in the form prescribed by the office of the auditor of the State of Iowa.
- (3.) The Commission is not in default on its general obligation bonds.
- The Commission does not have any bonds rated below BAA as issued by Moody's or BBB as issued by Standard and Poors.
 - The Commission has not operated at a deficit equal to 5 percent or more of total annual revenue in each of the past two fiscal years.
 - The Commission has not received an adverse opinion or disclaimer of opinion from an independent certified public accountant auditing its financial statements.
- (4.) In a letter dated April 23, 2004, the Iowa Department of Natural Resources notified the Commission that they had met the requirements for financial assurance.