

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

Independent Auditors' Report  
Basic Financial Statements and  
Required Supplementary Information  
Schedule of Findings

June 30, 2004 and 2003

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

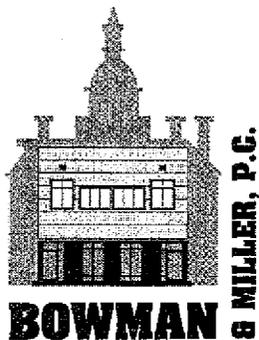
## Contents

	<u>Page</u>
Officials .....	1
Independent Auditors' Report .....	2-3
Management's Discussion and Analysis .....	4-8
Basic Financial Statements:	
Statements of Net Assets .....	9
Statements of Revenues, Expenses and Changes in Net Assets .....	10
Statements of Cash Flows .....	11
Notes to Financial Statements .....	12-19
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting .....	20-21
Schedule of Findings .....	22-23
Audit Staff .....	24

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Bob Schubert	Chairperson	City of Marshalltown
Dale Thompson	Vice-Chairperson	Town of Ferguson
Robert Earney	Member	Town of Albion
Chad Jones	Member	Town of Clemons
John Carver	Member	Town of Collins
Eldon Stanley	Member	Town of Gilman
Donald Daters	Member	Town of Haverhill
Steven Eibs	Member	Town of Laurel
Vern Crookshank	Member	Town of Legrand
John Vry	Member	Town of Liscomb
Gordie Johnson	Member	Marshall County
Mike McCann	Member	Marshall County
Eric Fruin	Member	City of Marshalltown
Robert Forbes	Member	City of Marshalltown
Joy Sievers	Member	City of Marshalltown
Bruce Tuttle	Member	City of Marshalltown
Stanley C. Randall	Member	City of Melbourne
James Perin	Member	Town of Rhodes
Bruce Arnold	Member	Town of St. Anthony
Matthew Streeter	Member	City of State Center
Kevin Callaway	Member	Town of Whitten
Joe Robertson	Secretary-Treasurer/Superintendent	



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366  
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com  
Elizabeth A. Miller, CPA • beth@syscompia.com  
Debra J. Osborn, CPA • deb@syscompia.com  
Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' Report

To the Board Members of Solid Waste Management Commission  
of Marshall County:

We have audited the accompanying financial statements of Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2004 and 2003. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 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 statements presentation. We believe our audits provide 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 the Solid Waste Management Commission of Marshall County at June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9, during the year ended June 30, 2004, Solid Waste Management Commission of Marshall 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.

In accordance with Governmental Auditing Standards, we have also issued our report dated August 6, 2004 on our consideration of the Solid Waste Management Commission of Marshall 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.

Management's Discussion and Analysis on pages 4 through 8 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.

*Bowman & Miller, P.C.*

August 6, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Solid Waste Management Commission of Marshall County (the "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 3%, or \$62,031, from fiscal 2003 to fiscal 2004. Gate fees increased and other revenues decreased. County and City assessments remained relatively constant.
- ◆ The Commission's operating expenses were 2%, or \$24,330, more in fiscal 2004 than in fiscal 2003.
- ◆ The Commission's net assets increased 9%, or \$459,058, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The Solid Waste Management Commission of Marshall County 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 are intended to serve as an introduction to Solid Waste Management Commission of Marshall County'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 Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Nets 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 ASSOCIATION

### Statement of Net Assets

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 \$5,434,000. This compares to approximately \$4,975,000 for fiscal 2003. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	2004	2003
Current assets	\$ 1,135,812	855,463
Restricted investments	1,524,659	1,317,019
Capital assets at cost, less accumulated depreciation	3,412,708	3,870,853
Total assets	6,073,179	6,043,335
Current liabilities	124,405	546,635
Noncurrent liabilities	515,059	522,043
Total liabilities	639,464	1,068,678
Net assets:		
Invested in capital assets, net of related debt	3,405,724	3,426,885
Restricted	1,524,659	1,317,019
Unrestricted	503,332	230,753
Total net assets	\$ 5,433,715	4,974,657

The largest portion of the Commission's net assets (63%) is invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net asset are resources allocated to capital assets. The restricted portion of the Commission's net assets (28%) is for closure and postclosure care and park development. 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 (9%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

*Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, interest expense and gains or losses on sale of assets. 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 years ended June 30, 2004 and 2003 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2004	2003
Operating revenues:		
Gate fees	\$ 1,781,592	1,709,906
County and city assessments	159,880	160,148
Other operating revenues	5,842	15,229
Total operating revenues	<u>1,947,314</u>	<u>1,885,283</u>
Operating expenses:		
Salaries	312,863	297,330
Employee benefits	58,870	45,974
Machinery maintenance, labor and parts	51,057	58,018
Oil and gas	36,453	28,296
Long range planning and engineering	18,792	24,598
Site maintenance	46,618	69,742
Site utilities	10,809	12,680
Equipment rent	1,415	960
Office expenses	13,077	14,673
Training and travel	6,965	2,274
Public education	42,152	25,185
Legal and accounting	17,214	22,010
Insurance	45,910	36,747
Planning and recycling expense	212,827	220,719
Iowa Department of Natural Resources tonnage fees	109,351	105,348
Depreciation	466,808	453,801
Non-capitalized equipment	6,610	12,466
Payroll taxes	25,627	24,532
Commission expense	1,421	2,241
Retirement expense	18,084	16,790
Miscellaneous	8,750	12,959
Total operating expenses	<u>1,511,673</u>	<u>1,487,343</u>
Operating income	435,641	397,940
Non-operating revenues (expenses):		
Interest income	47,365	61,509
Interest expense	(21,015)	(42,649)
Loss on sale of assets	(2,933)	-
Net non-operating revenues	<u>23,417</u>	<u>18,860</u>
Change in net assets	459,058	416,800
Net assets beginning of year	<u>4,974,657</u>	<u>4,557,857</u>
Net assets end of year	\$ <u>5,433,715</u>	<u>4,974,657</u>

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

In fiscal 2004, operating revenues increased by \$62,031, or 3%, primarily a result of gate fees increasing by approximately \$7,689 due to an increase in the volume of collections. Operating expenses increased by \$24,330, or 2%.

*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 deposits and interest income.

**CAPITAL ASSETS**

At June 30, 2004, the Commission had approximately \$3.4 million invested in capital assets, net of accumulated depreciation of approximately \$4.6 million. Depreciation charges totaled \$466,808 for fiscal 2004. More detailed information about the Commission’s capital assets is presented in Note 4 to the financial statements.

**LONG-TERM DEBT**

At June 30, 2004, the Commission had \$522,043 in debt outstanding, a decrease of \$436,984 from 2003. The table below summarizes outstanding debt by type.

	June 30,	
	2004	2003
Revenue bonds	\$ -	430,000
Land contract purchase	6,984	13,968
Closure and postclosure care cost	<u>515,059</u>	<u>515,059</u>
Total	<u>\$ 522,043</u>	<u>959,027</u>

Additional information about the Commission’s long-term debt is presented in Notes 5 and 6 to the financial statements.

**ECONOMIC FACTORS**

Solid Waste Management Commission of Marshall 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 owned by the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an on going 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.
- ◆ Volatility of the recyclables markets and the effect on net processing cost and product throughput volume.
- ◆ Federal and State solid waste legislation and rule revision and its effect on our current operating costs and long-term closure and postclosure care costs.

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. If you have questions about this report or need additional financial information, contact Solid Waste Management Commission of Marshall County, 2313 Marshalltown Boulevard, Marshalltown, Iowa.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Statements of Net Assets  
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 973,334	696,618
Accounts receivable	143,981	138,124
Prepaid insurance	18,497	15,901
Prepaid bond fee, net	-	4,820
Total current assets	<u>1,135,812</u>	<u>855,463</u>
Noncurrent assets:		
Restricted investments	1,524,659	1,317,019
Capital assets (net of accumulated depreciation)	3,412,708	3,870,853
Total noncurrent assets	<u>4,937,367</u>	<u>5,187,872</u>
<b>Total assets</b>	<u>6,073,179</u>	<u>6,043,335</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	51,614	40,272
Accrued liabilities	31,431	28,591
Salaries and benefits payable	34,119	38,354
Interest payable	257	2,434
Current portion of long-term liabilities	6,984	436,984
Total current liabilities	<u>124,405</u>	<u>546,635</u>
Non-current liabilities:		
Notes payable less current portion	-	6,984
Landfill closure and postclosure care costs	515,059	515,059
Total non-current liabilities	<u>515,059</u>	<u>522,043</u>
<b>Total liabilities</b>	<u>639,464</u>	<u>1,068,678</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	3,405,724	3,426,885
Restricted for:		
Park development	52,999	51,871
Closure and postclosure care	1,471,660	1,265,148
Unrestricted	<u>503,332</u>	<u>230,753</u>
<b>Total net assets</b>	<u>\$ 5,433,715</u>	<u>4,974,657</u>

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**  
**Statements of Revenues, Expenses and  
Changes in Net Assets**  
**Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Gate fees	\$ 1,781,592	1,709,906
County and city assessments	159,880	160,148
Other operating revenues	5,842	15,229
Total operating revenues	<u>1,947,314</u>	<u>1,885,283</u>
Operating expenses:		
Salaries	312,863	297,330
Employee benefits	58,870	45,974
Machinery maintenance, labor and parts	51,057	58,018
Oil and gas	36,453	28,296
Long range planning and engineering	18,792	24,598
Site maintenance	46,618	69,742
Site utilities	10,809	12,680
Equipment rent	1,415	960
Office expenses	13,077	14,673
Training and travel	6,965	2,274
Public education	42,152	25,185
Legal and accounting	17,214	22,010
Insurance	45,910	36,747
Planning and recycling expense	212,827	220,719
Iowa Department of Natural Resources tonnage fees	109,351	105,348
Depreciation	466,808	453,801
Non-capitalized equipment	6,610	12,466
Payroll taxes	25,627	24,532
Commission expense	1,421	2,241
Retirement expense	18,084	16,790
Miscellaneous	8,750	12,959
Total operating expenses	<u>1,511,673</u>	<u>1,487,343</u>
Operating income	435,641	397,940
Non-operating revenues (expenses):		
Interest income	47,365	61,509
Interest expense	(21,015)	(42,649)
Loss on sale of assets	(2,933)	-
Net non-operating revenues	<u>23,417</u>	<u>18,860</u>
Change in net assets	459,058	416,800
Net assets beginning of year	<u>4,974,657</u>	<u>4,557,857</u>
Net assets end of year	<u>\$ 5,433,715</u>	<u>4,974,657</u>

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Statements of Cash Flows  
Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 1,775,735	1,667,450
Cash received from assessments	159,880	160,148
Cash received from other operating receipts	5,842	15,229
Cash payments to suppliers for goods and services	(656,726)	(600,201)
Cash payments to employees for services	(375,968)	(328,016)
Net cash provided by operating activities	<u>908,763</u>	<u>914,610</u>
Cash flows from capital and related financing activities:		
Principal paid on notes payable	(436,984)	(416,984)
Interest paid on notes payable	(23,192)	(44,571)
Purchase of capital assets	(12,496)	(707,591)
Disposal of capital assets	900	-
Net cash (used) by capital and related financing activities	<u>(471,772)</u>	<u>(1,169,146)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(207,640)	-
Redemption of certificates of deposit	-	224,891
Interest received	47,365	61,509
Net cash provided (used) by investing activities	<u>(160,275)</u>	<u>286,400</u>
Net increase in cash and cash equivalents	276,716	31,864
Cash and cash equivalents beginning of year	<u>696,618</u>	<u>664,754</u>
Cash and cash equivalents end of year	<u>\$ 973,334</u>	<u>696,618</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 435,641	397,940
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	466,808	453,801
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(5,857)	62,892
Decrease (Increase) in prepaid items	2,224	(1,523)
Increase (Decrease) in accounts payable	11,342	(5,038)
Increase (Decrease) in accrued liabilities	2,840	(8,750)
(Decrease) Increase in salaries and benefits payable	(4,235)	15,288
Total adjustments	<u>473,122</u>	<u>516,670</u>
Net cash provided by operating activities	<u>\$ 908,763</u>	<u>914,610</u>

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Notes to Financial Statements June 30, 2004 and 2003

### (1) Summary of Significant Accounting Policies

Solid Waste Management Commission of Marshall County ("the Commission") was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Marshall County for use by all residents of the member municipalities.

The Commission is composed of at least one representative from each of the sixteen member municipalities, except that Marshalltown shall have at least two voting representatives. The member municipalities are: Albion, Clemons, Collins, Ferguson, Gilman, Haverhill, Laurel, LeGrand, Liscomb, Marshall County, Marshalltown, Melbourne, Rhodes, St. Anthony, State Center and Whitten. Each member shall be entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

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

#### A. Reporting Entity

For financial reporting purposes, Solid Waste Management Commission of Marshall County has included all funds, organizations, 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 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. Solid Waste Management Commission of Marshall County has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

The accounts of Solid Waste Management Commission of Marshall County are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Notes to Financial Statements (Continued) June 30, 2004 and 2003

### (1) Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting

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 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.

#### D. Assets, Liabilities and Net Investments

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

Cash, Investments and 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 and 2003 include certificates of deposit of \$1,524,659 and \$1,317,019, respectively.

Accounts Receivable – Accounts receivable represent amounts billed for waste disposal services at June 30, 2004 and 2003. Because of the Commission's policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded.

Restricted Investments – Funds set aside for payment of closure and post closure care costs are classified as restricted. In addition, funds have been set aside for the development of a county park upon closure of the landfill.

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Notes to Financial Statements (Continued) June 30, 2004 and 2003

### (1) Summary of Significant Accounting Policies (Continued)

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of \$5,000. Capital assets of the Commission are depreciated using the straight-line method over the estimated useful lives of the assets. Buildings are amortized over thirty years, land improvements over fifteen years, the leachate system over thirty years and equipment is depreciated over a five to ten year life.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2004 and 2003.

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 has been computed based on rates of pay in effect at June 30, 2004 and 2003.

### (2) Cash and Investments

The Commission's deposits in banks at June 30, 2004 and 2003 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-end 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.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**(3) 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 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 covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$18,084, \$16,790 and \$16,349, respectively, equal to the required contributions for each year.

**(4) Property and Equipment**

A summary of capital assets at June 30, 2004 and 2003 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	\$ 600,818	-	-	600,818
Capital assets being depreciated:				
Land development costs	4,717,427	12,496	-	4,729,923
Buildings	255,016	-	-	255,016
Equipment and vehicles	1,878,587	-	(5,000)	1,873,587
Leachate system	521,751	-	-	521,751
Total capital assets being depreciated	7,372,781	12,496	(5,000)	7,380,277
Less accumulated depreciation for:				
Land development costs	2,664,828	246,363	-	2,911,191
Buildings	160,859	8,501	-	169,360
Equipment and vehicles	1,101,897	194,552	(1,167)	1,295,282
Leachate system	175,162	17,392	-	192,554
Total accumulated depreciation	4,102,746	466,808	(1,167)	4,568,387
Total capital assets being depreciated, net	3,270,035	(454,312)	(3,833)	2,811,890
Total capital assets, net	\$ 3,870,853	(454,312)	(3,833)	3,412,708

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Notes to Financial Statements (Continued) June 30, 2004 and 2003

### (5) General Long-Term Debt

The Commission issued during July 1994 to Marshall County revenue bonds bearing interest from 3.75% to 5.15%. In June 2004, the final bond matured and a principal payment of \$430,000 was paid to Marshall County.

The Commission has signed a contract for the purchase of 69.84 acres of land. The contract was signed on September 20, 1995 and has annual principal payments of \$6,984 and a 7.5% interest rate. The contract matures on January 2, 2005. The outstanding loan balances on June 30, 2004 and 2003 was \$6,984 and \$13,968, respectively.

The following is a summary of all future years' principal maturities of long-term debt:

Year ending <u>June 30:</u>	Principal <u>Amount</u>
2005	\$ <u>6,984</u>

### (6) Closure and Postclosure Care Costs

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total 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 due to inflation or deflation, technology, or applicable laws or regulations.

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Notes to Financial Statements (Continued) June 30, 2004 and 2003

These costs for the Solid Waste Management Commission of Marshall County have been estimated at \$886,200 for closure and \$1,050,000 for postclosure, for a total of \$1,936,200 as of June 30, 2004, and the portion of the liability that has been recognized is \$515,059. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations. This liability represents the cumulative amount reported to date based on the use of approximately 24 percent of the capacity of the landfill with a remaining life of seventy to eighty years.

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 Commission has begun accumulating resources to fund these costs and, at June 30, 2004, assets of \$1,471,660 are held for these purposes. 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 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.

Chapter 576-111.8(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 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.

### (7) **Solid Waste Tonnage Fees Retained**

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2004 and 2003, the Commission had no unspent amounts retained and restricted for the required purposes.

### (8) **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. Except as discussed below regarding general liability and errors and omissions insurance, 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.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**(8) Risk Management (Continued)**

The Commission has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool. The Pool was formed to provide general liability and wrongful acts by officials to members of the insurance pool. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost. There have been no reductions in insurance coverage from prior years.

Each member is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member against any person or other entity legally responsible for damages for said loss, and in such event, the member is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the premiums on the insurance policies when due; to pay claims in accordance with the various coverages and to make other payments as required by applicable law; to establish and accumulate a reserve or reserves which are deemed advisable or required by law to carry out the purposes of the risk pool; and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy which covers exposure of specific losses in excess of \$2,000,000 per occurrence and \$2,000,000 in aggregate for general liability and \$2,000,000 per occurrence and \$2,000,000 in aggregate for director's and officer's liability.

Members retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member in addition to the premium contributions. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

The Commission's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contribution to the Pool for the years ended June 30, 2004 and 2003 was \$10,894 and \$9,796, respectively. Members agree to continue membership for a period of not less than one full year. At the conclusion of such period, or anniversary thereof, a Member who has given sixty days prior written notice to the Pool may withdraw.

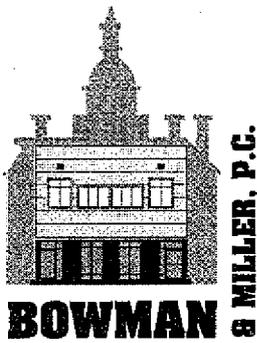
**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**(9) 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.



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366  
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com  
Elizabeth A. Miller, CPA • beth@syscompia.com  
Debra J. Osborn, CPA • deb@syscompia.com  
Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' Report on Compliance  
and on Internal Control over Financial Reporting

To the Members of Solid Waste Management Commission  
of Marshall County:

We have audited the financial statements of Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated August 6, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 Solid Waste Management Commission of Marshall County 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance required to be reported under Government Auditing Standards.

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. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Solid Waste Management Commission of Marshall 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 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 Solid Waste Management Commission of Marshall County'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. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the members and customers of Solid Waste Management Commission of Marshall 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 Solid Waste Management Commission of Marshall 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.

*Bowman and Miller, P.C.*

August 6, 2004

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Schedule of Findings  
Year Ended June 30, 2004**

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties – An important aspect of internal accounting 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 over each of the following areas for the Commission:

- (1) Accounting System – record keeping for revenues and expenses, and related reporting.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to master list, preparation and distribution.
- (4) Bank Reconciliation – preparation and maintenance of accounting records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. We will consider ways to mitigate the lack of segregation of duties wherever possible.

Conclusion – Response acknowledged. The Commission could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**Other Findings Related to Statutory Reporting:**

- (1) Official Depositories – The Commission has adopted a resolution naming official depositories. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Questionable Expenses – No expense 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.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Schedule of Findings (Continued)  
Year Ended June 30, 2004**

- (4) Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.
- (5) Deposits and Investments – The Commission is in compliance with the deposit and investment provisions of Chapters 12B and 12C 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.
- (7) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 1,936,200
Less: Balance of funds held in the local dedicated fund at June 30, 2003	(1,265,148)
	671,052
Divided by the number of years remaining in the pay-in period	÷ 4
Required payment into the local dedicated fund for the year ended June 30, 2004	\$ 167,763
Balance of funds held in the local dedicated fund at June 30, 2003	1,265,148
Required balance of funds to be held in the local dedicated fund at June 30, 2004	\$ 1,432,911
Amount Commission has restricted and reserved for Closure and postclosure care at June 30, 2004	\$ 1,471,660

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Audit Staff**

This audit was performed by:

BOWMAN & MILLER, P.C.  
Certified Public Accountants  
Marshalltown, Iowa

Personnel:

James R. Bowman, CPA, Principal  
Suzanne M. Mead, CPA, Principal  
Debra J. Osborn, CPA, Principal

NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Contact: Joe Robertson

Bowman & Miller, P.C. today released an audit report on the Solid Waste Management Commission of Marshall County.

The Commission had total revenues of \$1,947,314 for the year ended June 30, 2004, which included gate fees of \$1,781,592 and County and City assessments of \$159,880.

Expenses totaled \$1,511,673 for the year ended June 30, 2004, which included \$371,733 for employee salaries and benefits and \$18,792 for long range planning and engineering and \$212,827 in planning and recycling expense.

A copy of the audit report is available for review in the Office of Auditor of State and the Solid Waste Management Commission of Marshall County.