

CARROLL COUNTY SOLID WASTE
MANAGEMENT COMMISSION

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

June 30, 2005

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

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CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Neil Bock	Chairperson	Carroll County
Edgar Hunt	Vice-Chairperson	City of Lanesboro
Richard Ruggles	Secretary-Treasurer	City of Coon Rapids
Ed Smith	Member	City of Carroll
Gary Knueven	Member	City of Manning
Mary Wittry	Director	
Muriel McDermott	Office Manager	

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carroll County Solid Waste
Management Commission

We have audited the accompanying financial statements of Carroll County Solid Waste Management Commission, (the Commission), as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Commission' s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2005 on our consideration of the Commission' s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management' s Discussion and Analysis on pages 6 through 11 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
September 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carroll County Solid Waste Management 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, 2005. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

Statement of Purpose

The Carroll County Solid Waste Management Commission was formed in 1971 with the express intent of providing cost-effective and environmentally sound solid waste management options for the citizens of Carroll County.

The Goals of the Commission remain the same as they were in 1971:

- to operate a cost-effective solid waste facility;
- to operate an environmentally sound solid waste facility;
- to comply with federal and state solid waste management regulations for operating a solid waste management facility including compliance with the waste management hierarchy
 - ~ source reduction
 - ~ recycling
 - ~ energy recovery
 - ~ volume reduction
 - ~ state-of-the-art land filling
- to educate users of the Commission's facilities about proper solid waste management.

Financial Highlights

- The Commission's operating revenues increased 6%, or \$120,393, from fiscal 2004 to fiscal 2005. Tipping fees, processing fees and product sales all showed increases.
- The Commission's operating expenses were 15%, or \$217,308, more in fiscal 2005 than in fiscal 2004.
- The Commission's net assets increased 9%, or \$456,877, from June 30, 2004 to June 30, 2005.

Using This Annual Report

The Carroll County Solid Waste Management Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Carroll County Solid Waste Management Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as shown on the following page.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report (Continued)

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.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of the Commission

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 2005 totaled approximately \$5,366,000. This compares to approximately \$4,909,000 for fiscal 2004. A summary of the Commission's net assets is presented below:

Net Assets		
	June 30,	
	2005	2004
Current Assets	671,294	920,703
Restricted Investments	3,496,149	2,524,921
Capital Assets at Cost, Less Accumulated Depreciation	<u>2,229,577</u>	<u>2,604,421</u>
Total Assets	<u>6,397,020</u>	<u>6,050,045</u>
Current Liabilities	241,319	288,619
Noncurrent Liabilities	<u>789,542</u>	<u>852,144</u>
Total Liabilities	<u>1,030,861</u>	<u>1,140,763</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,030,577	2,204,342
Restricted	3,496,149	2,524,921
Unrestricted	<u>(160,567)</u>	<u>180,019</u>
Total Net Assets	<u>5,366,159</u>	<u>4,909,282</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Commission (Continued)

The largest portion of the Commission's net assets (55%) is restricted for closure and post-closure care and for future expansion. 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 amount invested in capital assets (38%, e.g., land, buildings and equipment), less the related debt portion of net assets are resources allocated to capital assets. The Commission has restricted other funds (10%) for capital improvements and debt retirement. The remaining net assets 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 tipping fees from accepting solid waste, assessments from the residents of the County, recycling processing fees and product sales. Operating expenses are paid to operate the landfill, recycling center and household hazardous waste and education programs. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2005, and 2004 is presented below:

Changes in Net Assets		
	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Operating Revenue		
Tipping Fees	1,117,214	1,047,608
Community Assessments	254,000	254,001
Product Sales and Processing Fees	641,935	592,240
Other Operating Revenues	56,642	55,549
Total Operating Revenue	<u>2,069,791</u>	<u>1,949,398</u>
Operating Expenses		
Salaries	373,326	385,860
Employee Benefits	156,259	138,797
Machinery Maintenance, Labor and Parts	118,215	72,156
Oil and Gas	44,750	31,719
Long Range Planning and Engineering	106,114	93,220
Site Maintenance	8,175	10,922
Site Utilities	31,661	33,150
Office Expense	8,201	7,402
Training and Travel	5,088	6,856
Legal and Accounting	9,123	8,254
Insurance	40,552	45,841
Closure and Postclosure Care Costs	97,733	(43,545)

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets (Continued)

	Changes in Net Assets	
	Year Ended June 30,	
	<u>2005</u>	<u>2004</u>
Operating Expenses		
Planning and Recycling Expenses	46,863	49,025
Iowa Department of Natural Resources Tonnage Fees	104,432	102,793
Depreciation	376,838	378,719
Non-capitalized Equipment and Supplies	37,599	34,324
Contracted Services	92,316	86,777
Miscellaneous	30,228	27,895
Total Operating Expenses	<u>1,687,473</u>	<u>1,470,165</u>
Operating Income	<u>382,318</u>	<u>479,233</u>
Non-operating Revenues (Expenses)		
Interest Income	80,131	54,443
Interest Expense	<u>(5,572)</u>	<u>(12,698)</u>
Net Non-operating Revenue	<u>74,559</u>	<u>41,745</u>
Increase in Net Assets	456,877	520,978
Net Assets Beginning of Year	<u>4,909,282</u>	<u>4,388,304</u>
Net Assets End of Year	<u><u>5,366,159</u></u>	<u><u>4,909,282</u></u>

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

In fiscal 2005, operating revenues increased by \$120,393, or 6%, primarily a result of tipping fees increasing by approximately \$69,600 due to an increase in the volume of collections, and the recycling center generated an additional \$49,700 in revenue. Operating expenses increased by \$87,365, or 6%, net of the accrual adjustment for estimated closure and post-closure care costs. Personnel costs increased by approximately \$4,900.

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 tipping fees, assessments and recycling 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

At June 30, 2005 the Commission had approximately \$4,745,000 invested in capital assets, net of accumulated depreciation of approximately \$2,515,000. Depreciation charges totaled \$376,838 for fiscal 2005. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

Long-term Debt

At June 30, 2005, the Commission had \$199,000 in debt outstanding, a decrease of \$201,079 from 2004. In addition, the Commission has recorded an estimated liability for the current cost of closure and post-closure care in the amount of \$739,542 for 2005 and \$653,144 for 2004. The table below summarizes outstanding debt by type.

	June 30,	
	<u>2005</u>	<u>2004</u>
Capital Lease Purchase Agreement	0	52,079
Bank Notes Payable	109,000	218,000
Note Payable - Iowa DNR	<u>90,000</u>	<u>130,000</u>
Total	<u>199,000</u>	<u>400,079</u>

Additional information about the Commission's long-term debt is presented in Notes 4 and 5 to the financial statements.

Economic Factors

Carroll County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on-going 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.
- Volatile market prices for processed recyclable materials continue to present a budgeting challenge. Fluctuating tonnage delivered for processing due to outside organizations, companies, and individuals marketing the products directly presents staffing and budgeting challenges.
- The Commission is in a position to accept additional solid waste from other counties who decide to transfer waste rather than build a Subtitle D compliant cell. The Iowa Department of Natural Resources has mandated that all permitted landfills place waste in a Subtitle D cell by October 1, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Commission will stop burying waste in the original landfill area by August 31, 2006. The area consists of 31.2 acres will be closed following the rules and regulations for closing a landfill site.
- The Commission will build a new Subtitle D cell in the summer of 2006 with the cost of the construction project being paid from the future expansion account.
- The tipping fee of \$37 per ton for disposal of solid waste and the assessment fee of approximately \$11.85 per capita will remain the same for 2005 – 2006.

The Commission is in position to continue to expand its EPA compliant solid waste collection facilities. It is estimated that space will be available to continue accepting waste and operate through 2038. The Commission has adopted a policy of restricting solid waste fees collected from outside counties for future expansion. The amount so designated at June 30, 2005 is \$1,912,083.

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 Carroll County Solid Waste Management Commission, 19111 Kittyhawk Avenue, Carroll, Iowa, 51401.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Net Assets
June 30, 2005

Assets	
Current Assets	
Cash and Cash Equivalents	257,367
Certificate of Deposit	206,858
Accounts Receivable (Net of Allowance \$330)	140,273
Interest Receivable	30,361
Inventory	22,250
Prepaid Assets	<u>14,185</u>
Total Current Assets	671,294
Noncurrent Assets	
Capital Assets:	
Land	166,470
Buildings	1,361,049
Landfill Improvements	1,189,958
Landfill Equipment	1,108,173
Recycling Equipment	895,871
Office Equipment	24,106
Less: Accumulated Depreciation	<u>(2,516,050)</u>
	2,229,577
Restricted Investments	<u>3,496,149</u>
Total Noncurrent Assets	<u>5,725,726</u>
Total Assets	<u>6,397,020</u>

Liabilities and Net Assets

Current Liabilities

Accounts Payable	87,173
Current Portion - Long-term Debt	149,000
Accrued Compensated Absences	4,779
Accrued Interest	<u>367</u>

Total Current Liabilities		241,319
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Noncurrent Liabilities

Notes Payable - Bank	109,000
Notes Payable - DNR	90,000
Less: Current Portion	<u>(149,000)</u>

	50,000
Landfill Closure and Postclosure Care Costs	<u>739,542</u>

Total Noncurrent Liabilities		789,542
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Total Liabilities		1,030,861
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Net Assets

Invested in Capital Assets, net of Related Debt	2,030,577
Restricted For:	
Capital Improvements/Debt Retirement	561,691
Future Expansion	1,912,083
Closure and Postclosure Care	1,022,375
Tonnage Fees Retained	0
Undesignated	<u>(160,567)</u>

Total Net Assets		5,366,159
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The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Revenues and Expenses
For Year Ended June 30, 2005

Operating Revenues:		
Tipping Fees		1,117,214
Community Assessments		254,000
Outside County Processing Fees		136,507
Product Sales		505,428
Farm Rent & Miscellaneous		12,294
DNR Fees Retained - Groundwater Protection		44,348
		2,069,791
Operating Expenses:		
Salaries	373,326	
Employee Benefits	156,259	
Advertising	11,246	
Amortization and Depreciation	376,838	
Cleaning	3,620	
Closure and Postclosure Care Costs	97,733	
Drop Box Service	32,872	
Education and Training	985	
Long Range Planning and Engineering	106,114	
Fuel	44,750	
Freight	13,991	
Insurance	40,552	
Iowa DNR Tonnage Fee	104,432	
Legal and Accounting	9,123	
Miscellaneous	15,362	
Office Supplies	8,201	
Outside Services	74,192	
Repairs and Improvements	118,215	
Site Maintenance	8,175	
Supplies - General	37,599	
Telephone	2,974	
Toxic Waste Fees	18,124	
Travel	4,103	
Utilities	28,687	
	1,687,473	
Operating Income		382,318
Other Income (Expenses)		
Interest Income	80,131	
Interest Expense	(5,572)	
	74,559	
Increase in Net Assets		456,877

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Changes in Net Assets
For Year Ended June 30, 2005

	<u>Undesignated</u>	<u>Board Designated</u>			<u>Restricted</u>		<u>Total</u>
	<u>Operating Fund</u>	<u>Investment in Capital Assets</u>	<u>Capital Improvements/ Debt Retirement Fund</u>	<u>Future Expansion</u>	<u>Regulatory Requirements</u>	<u>DNR Fees Retention Fund</u>	
Balance- Beginning of Year	180,019	2,204,342	375,127	1,051,852	1,097,942	0	4,909,282
Increase in Net Assets	394,865	0	8,960	32,822	19,808	422	456,877
Transfers (Net)	<u>(735,451)</u>	<u>(173,765)</u>	<u>177,604</u>	<u>827,409</u>	<u>(95,375)</u>	<u>(422)</u>	<u>0</u>
Balance - End of Year	<u><u>(160,567)</u></u>	<u><u>2,030,577</u></u>	<u><u>561,691</u></u>	<u><u>1,912,083</u></u>	<u><u>1,022,375</u></u>	<u><u>0</u></u>	<u><u>5,366,159</u></u>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Flows
For Year Ended June 30, 2005

Cash Flows from Operating Activities:		
Cash Received from Tipping Fees	1,271,407	
Cash Received from Assessments	254,000	
Cash Received from Product Sales	499,408	
Cash Received from Other Operating Receipts	56,643	
Cash Paid to Suppliers for Goods and Services	(685,494)	
Cash Paid to Employees for Services	<u>(532,961)</u>	
Net Cash Provided by Operating Activities		863,003
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Loans	(201,079)	
Interest Paid on Loans	(5,938)	
Purchase of Property and Equipment	<u>(1,995)</u>	
Net Cash Used by Capital and Related Financing Activities		(209,012)
Cash Flows from Investing Activities:		
Redemption of Certificates of Deposit - Unrestricted	60,710	
Purchase of Certificates of Deposit - Restricted	(971,228)	
Purchase of Certificates of Deposit - Unrestricted	(4,590)	
Interest Received	<u>67,855</u>	
Net Cash Used by Investing Activities		<u>(847,253)</u>
Net Decrease in Cash		(193,262)
Cash and Cash Equivalents at Beginning of Year		<u>450,629</u>
Cash and Cash Equivalents at End of Year		<u><u>257,367</u></u>
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities:		
Operating Income		382,318
Adjustments to Reconcile Net Income to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization	376,838	
Closure and Postclosure Costs	86,398	
Changes in Assets and Liabilities:		
Decrease Accounts Receivable	17,686	
(Increase) Inventory	(6,020)	
Decrease Prepaid Assets	637	
Increase Accounts Payable	8,522	
(Decrease) Accrued Compensated Absences	<u>(3,376)</u>	
Total Adjustments		<u>480,685</u>
Net Cash Provided by Operating Activities		<u><u>863,003</u></u>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies

Organization

The Carroll County Solid Waste Management Commission (the Commission) is a joint undertaking of Carroll County and the municipalities of Carroll County organized under Code Section 28E of the Iowa Code. The Commission was established for the purpose of developing, operating, and maintaining solid waste facilities for and on behalf of the municipalities who are members. In 1990, construction was completed on a recycling plant for Carroll County. Since becoming operational in November 1990, the plant has become a regional center for recycling.

The Commission is composed of an elected representative from the governing body of each participating governmental jurisdiction. A five-member executive board is elected, consisting of a member from the City of Carroll, a representative from the Carroll County Board of Supervisors and three at-large members. Each member shall be entitled to one vote for each 1,000 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.

Reporting Entity

For financial reporting purposes, the Carroll County Solid Waste Management Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the 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 Commission has no component units, which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

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.

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements

June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

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 applicable authoritative 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 revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the statement of net assets:

Cash Equivalents

The Commission considers all unrestricted cash and short-term investments that are highly liquid, with an original maturity of three months or less to be cash equivalents. Cash investments not meeting the definition of cash equivalents at June 30, 2005 include certificates of deposits of \$3,622,050 and money market savings account or NOW accounts of \$80,957.

Accounts Receivable

Accounts receivable are carried at cost less an allowance for doubtful accounts. The provision for uncollectible accounts is based upon the age and collectibility of specific accounts. The Commission grants credit to customers, many of who are local haulers or residents. Interest accrues on accounts 30 days after invoice date, however there is no formal policy on accounts 90 days past due. The balance of accounts over 90 days past due at June 30, 2005 was \$275.

Inventory

Inventory that is recorded on the books at June 30, 2005, consists of recycling bags and bins which are carried at cost, principally first-in, first-out, but not in excess of market. The recycling center also has on hand marketable processed recyclables; however, no system has been developed that would allow for a reasonable estimation of the processing cost. Until these costs can be accumulated with some accuracy, they will continue to be expensed as incurred.

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements

June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital Assets are stated at historical cost. Expenditures for additions and betterment are capitalized, while expenditures for maintenance and repair are charged to expenses as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, and is charged as an expense against operations. Buildings are depreciated over fifteen to twenty-five years and equipment is depreciated over a five to fifteen year life.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess \$1,000 and estimated useful lives in excess of one year.

In accordance with Governmental Accounting Standards, the lives of certain facilities and equipment may be adjusted to coincide with the remaining estimated useful life of the landfill. In addition, equipment and facilities included in the estimated total current cost of closure and postclosure care are not reported as capital assets, but will be reported as a reduction of the accrued liability when they are acquired.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. There were no qualifying assets acquired during the year ended June 30, 2005.

Restricted Assets

Restricted assets consist of funds set aside for regulatory requirements and designated by the board for debt retirement and expansion as detailed in Note 2.

Use of Estimates

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

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, 2005, and is treated as a current payable at that date.

Advertising Costs

The cost of advertising is expensed as incurred.

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Reclassification

Reclassification of certain prior year's balances has been made to conform to current year's presentation.

Note 2 – Cash, Investments and Restricted Funds

Restricted cash, including board-designated funds, consists of the following accounts at June 30, 2005:

Money Market Savings and NOW Accounts	80,957
Certificates of Deposit - Unrestricted	206,858
Certificates of Deposit - Restricted	<u>3,415,192</u>
	<u>3,703,007</u>

Chapter 455B.310 of the Code of Iowa establishes a tonnage fee of four dollars and twenty-five cents per ton of solid waste. The landfill operator shall retain ninety-five cents of the tonnage fee to be used as described in the following paragraph and can retain an additional thirty-five cents of the tonnage fee as described below if an updated comprehensive plan has been approved for the Commission. The remainder of the tonnage fee is remitted to the Department of Natural Resources on a quarterly basis.

The Carroll County Solid Waste Management Commission has reduced its gross tonnage fee by sixty cents to three dollars and sixty-five cents. A fifty cent reduction was achieved by exceeding the commissions twenty-five percent waste reduction goal and an additional ten cent reduction is granted for exceeding the state wide average. In addition to the one dollar and thirty cent retainage allowed as described above, the commission is also allowed to retain an additional twenty-five cents for maintaining an approved updated comprehensive plan.

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 required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure care plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. If the Commission achieves the fifty percent waste reduction goal provided in Chapter 455D.3 of the Code of Iowa, forty-five cents per ton of the tonnage fee shall be disbursed to a city, county or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Commission' s approved comprehensive plan. If the fifty percent waste reduction goal has not been met, seventy cents per ton of the tonnage shall be disbursed to a city, county or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements
June 30, 2005

Note 2 - Cash, Investments and Restricted Funds (Continued)

Commission's approved comprehensive plan. The Commission (public agency) fulfills these duties for the members of the 28E organization.

The fees retained may also be used for other environmental protection and environmental compliance activities, including waste reduction, recycling, or small business pollution prevention purposes.

As of June 30, 2005, approved spending had exceeded the unspent amounts retained by the Commission and restricted for the required purposes.

The Commission has established additional accounts, designated for the following purposes:

<u>Location</u>	<u>Purpose</u>	<u>Balance June 30, 2005</u>
First National Bank - Manning	Debt Retirement and Equipment Additions	\$ 561,691
Iowa Savings Bank	Closure Costs	765,298
United Bank	Closure Costs	257,077
United Bank	Landfill Expansion	181,749
Breda Savings Bank	Landfill Expansion	134,518
Templeton Savings Bank	Landfill Expansion	67,652
Westside State Savings Bank	Landfill Expansion	241,570
Carroll County State Bank	Landfill Expansion	319,802
First Bank and Trust	Landfill Expansion	753,764
Iowa Savings Bank	Landfill Expansion	111,123
First National Bank – Manning	Landfill Expansion	101,905

The Commission' s deposits at June 30, 2005 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.

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements
June 30, 2005

Note 2 - Cash, Investments and Restricted Funds (Continued)

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 Standards Board Statement No. 3.

Note 3 – Capital Assets

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	166,470	0	0	166,470
Capital assets being depreciated:				
Buildings	1,361,049	0	0	1,361,049
Equipment	2,028,150	16,547	(16,547)	2,028,150
Landfill Improvements	1,189,958	0	0	1,189,958
Total capital assets being depreciated	4,579,157	16,547	(16,547)	4,579,157
Less accumulated depreciation for:				
Buildings	509,800	47,700	0	557,500
Equipment	1,283,609	164,807	(11,665)	1,436,751
Landfill Improvements	357,468	164,331	0	521,799
Total accumulated depreciation	2,150,877	376,838	(11,665)	2,516,050
Total capital assets being depreciated, net	2,428,280	(360,291)	(4,882)	2,063,107
Total capital assets, net	2,594,750	(360,291)	(4,882)	2,229,577

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements
June 30, 2005

Note 3 – Capital Assets (Continued)

Equipment includes \$415,122 of assets acquired under capital leases with accumulated depreciation totaling \$242,831 as of June 30, 2005. Lease amortization is included in current year depreciation. The remaining lease will expire December 2005, however was retired prior to yearend. The equipment consists of a New Holland Tractor, a CAT Wheel Loader, and a CAT Track Loader. Depreciation expense for the year was \$376,838, including \$41,512 from capital lease equipment.

Note 4 - Long-term Debt

The operating note at Iowa Savings Bank for June 30, 2005 is in the amount \$109,000 with an interest rate of 2.69% and a maturity date May 15, 2006. The Commission will make annual principal payments of \$109,000 on each May 15 with interest being paid semi-annual on the outstanding principal balance on each November 15 and May 15 through 2006.

Other Long-term Debt Consists of the Following:

In addition, the Commission is indebted to the Iowa Department of Natural Resources in the amount of \$90,000. This debt was incurred in connection with the expansion of the recycling center under the Landfill Alternatives Financial Assistance Program. This non-interest-bearing loan will be repaid in quarterly installments of \$10,000 through July 2007.

A summary of scheduled maturities of the capital lease and other long-term debt for the five succeeding years following June 30, 2005 is as shown below:

<u>Year</u>	<u>Total</u>
2005-06	149,000
2006-07	40,000
2007-08	10,000
2008-09	-0-
2009-10	-0-
Thereafter	<u>-0-</u>
<u>Totals</u>	<u>199,000</u>

Note 5 - Closure and Postclosure Care Cost

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

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements June 30, 2005

Note 5 - Closure and Postclosure Care Cost (Continued)

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.

These costs for Carroll County Solid Waste Management Commission have been estimated at \$289,624 for closure and \$726,756 for postclosure, for a total of \$1,016,380 as of June 30, 2005, and the portion of the liability that has been recognized is \$739,542. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2005. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is two years and the capacity used at June 30, 2005 is 69 percent.

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, 2005, assets of \$1,022,375 are restricted for these purposes, of which \$290,000 is for closure and \$732,375 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

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 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.

CARROLL COUNTY SOLID WASTE MANAGEMENT

Notes to Financial Statements June 30, 2005

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 percent of their annual salary and the Commission is required to contribute 5.75 percent of annual payroll for June 30, 2005. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the year ended June 30, 2005, was \$20,907, equal to the required contributions.

Note 7 - Agreements with Outside Counties

The Commission has entered into a number of contracts with outside Counties to provide landfill and, or recycling services. The agreements expire on various dates through 2010. Generally, while landfill usage effects the life of the current space available, recycling services are being offered without significantly increasing expenses.

Note 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. 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. General liability coverage is provided through membership in the Iowa Communities Assurance Pool. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the
Carroll County Solid Waste
Management Commission

We have audited the financial statements of Carroll County Solid Waste Management Commission as of and for the year ended June 30, 2005, and have issued our report thereon dated September 8, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County Solid Waste Management Commission' s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 Carroll County Solid Waste Management Commission' s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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).

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Commission' s operations for the year ended June 30, 2005 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.

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

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

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
September 8, 2005

CARROLL COUNTY SOLID WASTE MANAGEMENT

Schedule of Findings For Year Ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

(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 generally 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) Bank Reconciliation - preparation and maintenance of accounting records.
- 4) Payroll – changes to master list, preparation and distribution.

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, however, we will have the Director review receipts, posting and payroll on test basis and bank reconciliations monthly.

Conclusion - Response accepted.

Other Findings Related to Statutory Reporting:

- 1) Official Depositories - The Commission has adopted a resolution naming official depositories. And deposit agreements are in force in accordance with Chapter 12C of the Code of Iowa.
- 2) Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General' s opinion dated April 25, 1979.
- 3) Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

CARROLL COUNTY SOLID WASTE MANAGEMENT

Schedule of Findings
For Year Ended June 30, 2005

Other Findings Related to Statutory Reporting: (Continued)

- 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 Fees Tonnage Retainage - During the year ended June 30, 2005, 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:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	289,624	726,756
Less: Balance of funds held in the local dedicated fund at June 30, 2004	(300,000)	(797,942)
	(10,376)	(71,186)
Divided by the number of years remaining in the pay-in-period	: <u>2</u>	: <u>2</u>
Required payments into the local dedicated fund for the year ended June 30, 2005	0	0
Balance of funds held in the local dedicated fund at June 30, 2004	300,000	797,942
Required balance of funds to be held in the local dedicated fund at June 30, 2005	289,624	726,756
Amount Commission has restricted for closure and postclosure care at June 30, 2005	290,000	732,375

CARROLL COUNTY SOLID WASTE MANAGEMENT

Audit Staff

This audit was performed by:

Patrick J. O' Brien, CPA, Partner

Richard D. Muhlbauer, CPA, Partner

Robert L. Muhlbauer, CPA, Staff