

**Des Moines County Regional Solid Waste Commission**

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

**June 30, 2005**

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**Des Moines County Regional Solid Waste Commission  
Commission Members  
June 30, 2005**

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

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



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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Des Moines County Regional Solid Waste Commission as of and for the year ended June 30, 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. The prior year summarized comparative information has been derived from the Commission's 2004 financial statements and, in our report dated August 25, 2004, we expressed an unqualified opinion on those financial statements.

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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Des Moines County Regional Solid Waste Commission at June 30, 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 9, 2005 on our consideration of Des Moines County Regional Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned general purpose financial statements taken as a whole.

*Walker Egerton & Hunsaker PC*

September 9, 2005

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

Des Moines County Regional Solid Waste Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The Commission's operating revenues decreased 4%, or \$90,981, from fiscal 2004 to fiscal 2005. Gate receipts decreased and waste management fees increased. Much of this apparent decrease is a result of the unusually high gate receipts arising from disposal of ice storm debris (mostly roofing materials) throughout fiscal 2004. Fiscal 2005 operating revenues were on target with budget projections even though gate receipts were below projections. The main reason gate receipts fell below budget projections is that one commercial waste hauler exported significant quantities of solid waste generated in the Commission's planning area to an Iowa landfill outside the planning area for much of the year. Waste management fees were increased primarily to cover operating expenses of the HazChem Center following the end of the establishment grant period.
- Operating expenses decreased 15%, or \$350,719 from fiscal 2004 to fiscal 2005.
- The Commission's net assets increased 8%, or \$541,683 from fiscal 2004 to fiscal 2005.
- Most of the capital expenditures in fiscal 2005 were related to construction of the new equipment maintenance building at the landfill. Other capital expenditures involved additional construction phases of the leachate recirculation system, repair of a damaged liner in the western leachate lagoon, and construction of the gas collection system scheduled to begin operation in fiscal 2005 or 2006.

### **USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

- The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### Financial Position Summary

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets exceeded liabilities by \$7,309,740 at June 30, 2005, a \$541,683 increase from 2004.

A summary of the Authority's net assets at June 30, 2005 and 2004 is shown below:

	<b>2005</b>	<b>2004</b>
Assets:		
Current assets	\$ 1,803,440	\$ 2,464,362
Restricted investments	887,939	754,870
Capital assets	<u>5,135,077</u>	<u>4,700,585</u>
Total assets	<u>7,826,456</u>	<u>7,919,817</u>
Liabilities:		
Current liabilities	137,096	172,780
Noncurrent liabilities	<u>614,308</u>	<u>978,980</u>
Total liabilities	<u>751,404</u>	<u>1,151,760</u>
Net Assets:		
Invested in capital assets, net of related debt	4,856,738	4,367,085
Restricted	887,939	754,870
Unrestricted	<u>1,565,063</u>	<u>1,646,102</u>
Total net assets	<u>\$ 7,309,740</u>	<u>\$ 6,768,057</u>

The largest portion of the Commission's net assets each year represents its investment in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Commission also has net assets that are restricted for closure and postclosure care. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

### Summary of Operations and Changes in Net Assets

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

A summary of revenues, expenses and changes in net assets for the year ended June 30, 2005 and 2004 is presented below:

	<b>2005</b>	<b>2004</b>
Operating revenue:		
Gate receipts	\$ 1,542,483	\$ 1,836,841
Recycling	308,501	230,925
Waste management fees	509,720	401,640
Other operating revenues	<u>49,776</u>	<u>32,055</u>
Total operating revenue	<u>2,410,480</u>	<u>2,501,461</u>
Operating expenses:		
Salaries and benefits	1,094,518	1,045,645
Repairs and maintenance	129,627	158,400
Insurance	49,212	63,505
Regulatory assistance and leachate control	86,766	43,353
Garbage and drop off collection	19,004	27,043
Wood grinding & tire disposal	21,974	22,263
Occupancy	37,482	31,194
Telephone	8,503	8,290
Supplies, furniture and equipment	132,797	134,346
Contract service	74,271	111,325
DNR tonnage fees	93,034	96,938
Travel and training	13,988	14,557
Recycling rebates	32,451	26,483
Depreciation	539,074	525,528
Landfill closure and postclosure care	(317,172)	55,416
Other operating expenses	<u>48,627</u>	<u>50,589</u>
Total operating expenses	<u>2,064,156</u>	<u>2,414,875</u>
Operating income	346,324	86,586
Non-operating revenues/(expenses), net	<u>195,359</u>	<u>59,043</u>
Increase in Net Assets	<u>\$ 541,683</u>	<u>\$ 145,629</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 decreased by \$90,981, or 4%, primarily as a result of gate fees decreasing by \$294,358. Revenue losses were mitigated by a \$108,080 increase in waste management fees and an increase in sales of recyclable materials of \$77,576 due to improved commodity markets.. Non-operating revenues/(expenses) increased by \$136,316 in fiscal 2005, primarily due to an increase in the market value of investments.

### **Statement of Cash Flows**

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

## **CAPITAL ASSETS**

At June 30, 2005, the Commission had \$5,135,077 invested in capital assets, net of accumulated depreciation of \$2,416,267. Depreciation charges totaled \$539,074 for fiscal year 2005. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

## **LONG-TERM LIABILITIES**

At June 30, 2005, the Commission had \$286,000 in debt outstanding, a decrease of \$47,500 from 2004. The debt consists of a loan payable to the Iowa Department of Natural Resources for a Solid Waste Alternatives Program project. The Commission has also recorded a liability of \$366,308 for closure and postclosure care costs, a \$317,172 decrease over 2004. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

## **ECONOMIC FACTORS**

Des Moines County Regional Solid Waste Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

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

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

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

Respectfully submitted,

Hal Morton  
Executive Director

**Des Moines County Regional Solid Waste Commission**  
**Statement of Net Assets**  
**June 30, 2005**

**Assets**

Current Assets:

Cash	\$ 545,728
Certificates of deposit	1,052,201
Accounts receivable	185,146
Prepaid expenses	11,041
Accrued interest income	4,683
Inventory, at cost	<u>4,641</u>
Total current assets	<u>1,803,440</u>

Noncurrent assets:

Investments, at market value	234,688
Restricted investments, at market value	887,939
Capital assets (net of accumulated depreciation)	<u>5,135,077</u>
Total noncurrent assets	<u>6,257,704</u>

Total assets	<u>8,061,144</u>
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**Liabilities**

Current liabilities:

Accounts payable	28,859
Accrued expenses	70,237
Loan payable	<u>38,000</u>
Total current liabilities	<u>137,096</u>

Non-current liabilities:

Loan payable, net of current portion	248,000
Landfill closure and postclosure care	<u>366,308</u>
Total non-current liabilities	<u>614,308</u>

Total liabilities	<u>751,404</u>
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**Net assets**

Invested in capital assets, net of related debt	4,856,738
Restricted for:	
Closure	506,125
Postclosure care	381,814
Unrestricted	<u>1,565,063</u>
Total net assets	<u>\$ 7,309,740</u>

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2005 With Comparative Totals for 2004**

	<b>2005</b>	<b>2004 Comparative Totals</b>
Operating revenues:		
Gate receipts	\$ 1,542,483	\$ 1,836,841
Drop-off reimbursement	16,011	13,648
Recycling	308,501	230,925
Hazardous chemical fees	33,765	18,407
Waste management fees	<u>509,720</u>	<u>401,640</u>
Total operating revenues	<u>2,410,480</u>	<u>2,501,461</u>
Operating expenses:		
Salaries	757,875	713,040
Payroll taxes	106,700	99,273
Employee benefits	229,943	233,332
Worker's compensation insurance	21,604	35,397
Safety	9,524	7,677
Inspection and regulatory assistance	40,774	32,314
Garbage and drop-off collection	19,004	27,043
Wood grinding and tire disposal	21,974	22,263
Leachate control and well sampling	45,992	11,039
Repairs and maintenance	129,627	158,400
Utilities	37,482	31,194
Telephone	8,503	8,290
Insurance	27,608	28,108
Supplies	125,458	119,232
Advertising and public education	29,909	30,117
Furniture and equipment	7,339	15,114
Containers	3,505	3,724
Contract service	74,271	111,325
DNR tonnage fees	93,034	96,938
Shipping	3,673	5,225
Travel and training	13,988	14,557
Sales tax	780	3,190
Tire program	1,236	656
Recycling rebates	32,451	26,483
Depreciation	539,074	525,528
Landfill closure and postclosure care	<u>(317,172)</u>	<u>55,416</u>
Total operating expenses	<u>2,064,156</u>	<u>2,414,875</u>
Operating income	<u>346,324</u>	<u>86,586</u>
Non-operating revenues (expenses):		
Investment return	170,953	(3,060)
Interest expense	(4,635)	(3,708)
'Recycled 2 You' net retail sales	854	952
Gain/(loss) on sale of equipment	(332)	-
Grant income	6,229	14,488
Miscellaneous income	<u>22,290</u>	<u>50,371</u>
Net non-operating revenues	<u>195,359</u>	<u>59,043</u>
Change in net assets	541,683	145,629
Net assets, beginning of year	<u>6,768,057</u>	<u>6,622,428</u>
Net assets, end of year	<u>\$ 7,309,740</u>	<u>\$ 6,768,057</u>

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission  
Statement of Cash Flows  
Year Ended June 30, 2005**

Cash flows from operating activities:	
Cash received from gate fees	\$ 1,578,097
Cash received from waste management fees	493,111
Cash received from other operating receipts	358,717
Cash payments to suppliers for goods and services	(1,140,667)
Cash payments to employees for services	<u>(742,267)</u>
Net cash provided by operating activities	<u>546,991</u>
Cash flows from capital and related financing activities:	
Cash received from grants and miscellaneous income	33,401
Principal payments on loan	(47,500)
Interest payments on loan	(4,635)
Cash received from sale of fixed assets	75,000
Purchase of fixed assets	<u>(1,048,900)</u>
Net cash (used) by capital and related financing activities	<u>(992,634)</u>
Cash flows from investing activities:	
Redemption of certificates of deposit and investments	1,759,955
Purchase of certificates of deposit and investments	(1,253,435)
Interest income	<u>30,177</u>
Net cash provided by investing activities	<u>536,697</u>
Net increase in cash and cash equivalents	91,054
Cash and cash equivalents, beginning of year	<u>454,674</u>
Cash and cash equivalents, end of year	<u>\$ 545,728</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 346,324</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	539,074
Landfill closure and postclosure care accrual	(317,172)
Changes in assets and liabilities:	
Decrease in accounts receivable	19,445
(Increase) in prepaid expenses	(3,651)
(Increase) in inventory	(1,344)
(Decrease) in accounts payable	(51,404)
Increase in accrued expenses	<u>15,719</u>
Total adjustments	<u>200,667</u>
Net cash provided by operating activities	<u>\$ 546,991</u>

Cash and cash equivalents consists of cash in checking accounts.

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2005**

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

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

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

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

Reporting Entity

For financial reporting purposes, the Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Entity to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Entity. Des Moines County Regional Solid Waste Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

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

Measurement Focus

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2005**

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

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

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

Assets, Liabilities and Net Investments

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

Cash Equivalents - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2005 included certificates of deposit of \$1,052,201.

Accounts Receivable - Accounts receivable at June 30, 2005 consist of receivables for landfill fees, recycling fees, waste management fees, and reimbursements.

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

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

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

Capital assets are defined by the Commission as assets with initial cost in excess of \$2,500 and an estimated useful life in excess of one year. Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

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

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2005**

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

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation is reported as an accrued expense and has been computed based on rates of pay in effect at June 30, 2005.

Estimates

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

Summarized Financial Information for 2004

The financial information for the year ended June 30, 2004, presented for comparative purposes, is not intended to be a complete financial statement presentation.

**Note 2. Cash and Investments**

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

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper, perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

As of June 30, 2005, the Commission has invested in Certificates of Deposit as follows:

F&M Bank & Trust	3.40 %	maturing	3/3/2006	258,260
Danville Savings Bank	2.50 %	maturing	12/7/2005	184,176
Danville Savings Bank	2.00 %	maturing	1/2/2006	128,860
Danville Savings Bank	2.01 %	maturing	10/25/2005	211,425
Danville Savings Bank	3.65 %	maturing	12/2/2005	269,480
				<u>\$ 1,052,201</u>

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 2. Cash and Investments** (continued)

At June 30, 2005, the Commission held investments in U.S. Treasury Bond, Tennessee Valley Authority Zero Coupon and Financing Corporation Zero Coupon stripped interest payments as follows:

Unrestricted:			
Tennessee Valley Authority Zero			
Coupon stripped interest payments	maturing	May 1 to June 15, 2007	<u>234,688</u>
Restricted for landfill closure and			
postclosure financial assurance:			
U.S. Treasury Bond stripped interest	maturing	August 15, 2016	548,802
payment			
Financing Corporation Zero Coupon	maturing	February 8, 2014 to	
stripped interest payments		December 6, 2018	<u>339,137</u>
			<u>887,939</u>
Total investments at market value			<u>\$ 1,122,627</u>

**Note 3. Accounts Receivable**

Components of accounts receivable consist of the following:

Landfill tipping fees	\$ 96,066
Waste Management fees	52,584
Recycling	28,514
Household Hazardous Waste program receivables	<u>7,982</u>
	<u>\$ 185,146</u>

**Note 4. Capital Assets**

A summary of capital assets at June 30, 2005 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Purchased</u> <u>at cost</u>	<u>Disposi-</u> <u>tions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 208,413	\$ -	\$ -	\$ 208,413
Building	1,709,845	448,777	-	2,158,622
Equipment, furniture and fixtures	2,671,034	505,344	590,411	2,585,967
Landfill expansion/improvement	<u>2,503,563</u>	<u>94,779</u>	<u>-</u>	<u>2,598,342</u>
	<u>\$ 7,092,855</u>	<u>\$ 1,048,900</u>	<u>\$ 590,411</u>	<u>\$ 7,551,344</u>

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 4. Capital Assets** (continued)

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

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

**Note 5. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Commission's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$42,786, \$40,490, and \$38,268, respectively, equal to the required contributions for each year.

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

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

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2005**

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

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

The \$366,308 reported as estimated liability for landfill closure and postclosure care costs at June 30, 2005, represents the cumulative amount reported to date based on the use of 26% of the estimated permitted capacity of the landfill. The Commission will recognize the remaining estimated cost of closure and postclosure care of \$1,385,641 as the remaining estimated permitted capacity is filled. The estimated remaining life of the permitted capacity is 59 years as of June 30, 2005.

An adjustment was made to the estimated remaining capacity at the landfill which reduced the estimated liability for landfill closure and postclosure care by \$334,014. The landfill is getting better compaction than earlier estimates and alternative daily cover (tarps) is being used which does not require the use of dirt for daily cover. In addition, management is performing regular compaction studies which result in a more accurate estimate than in prior 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 Association has begun accumulating resources to fund these costs, and at June 30, 2005, assets of \$887,939 are restricted for these purposes, of which \$506,125 is for closure and \$381,814 is for postclosure care. They are reported as restricted assets 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 uses the local government financial test as their assurance instrument.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2005**

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

Chapter 567-111.6(6) of the IAC allows a government to choose the local government financial test mechanism to demonstrate financial assurance for an amount equal to 43% of the local government's total annual revenue. An alternate financial instrument must be obtained for costs that exceed this limit. The Commission has chosen the dedicated fund mechanism, under Chapter 567-111.8(7) of the IAC, as their secondary financial assurance mechanism. The Commission demonstrates financial assurance through the application of tests required under the local government financial test mechanism and the use of funds held in a local dedicated fund 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 combined local governmental financial test and dedicated fund financial assurance mechanisms.

**Note 7. Commitments and Contingencies**

At June 30, 2005, the Commission had a commitment for construction in progress on an equipment building at the landfill. The balance remaining to complete the project is \$92,705. The project will be completed in the fiscal year ending June 30, 2007.

A dispute is pending between the Commission and a competing agency. The Commission contends that a commercial waste hauler exported significant quantities of solid waste generated in the Commission's planning area to an Iowa landfill outside the planning area for much of the year, in violation of Iowa law. The Commission is considering litigation and resolution is not expected until the fiscal year ending June 30, 2007. It is expected that the Commission will not incur any liability.

**Note 8. Loan payable**

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

	<b>Principal</b>	<b>Interest</b>
Year ended June 30, 2006	38,000	3,708
Year ended June 30, 2007	38,000	3,708
Year ended June 30, 2008	38,000	3,708
Year ended June 30, 2009	38,000	3,708
Thereafter (includes \$20,000 forgivable loan)	<u>134,000</u>	<u>11,123</u>
	<u>\$ 286,000</u>	<u>\$ 25,955</u>

**Note 9. Solid Waste Tonnage Fees Retained**

The Commission restricts and uses those portions of solid waste tonnage fees retained in accordance with Chapter 455B.310 of the Code of Iowa. As of June 30, 2005, there were no unspent amounts retained by the Commission that were required to be restricted.

**Des Moines County Regional Solid Waste Commission**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 10. Unrestricted Net Assets Designated by the Commission**

Remediation/Closure

As of June 30, 2005, the Commission had designated \$261,699 for landfill closure and postclosure care, and corrective action in addition to the financial assurance deposits required by State regulations.

Equipment Replacement

As of June 30, 2005, the Commission had designated \$146,057 for replacement of equipment used at the landfill.

**Note 11. Risk Management**

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

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

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

**Des Moines County Regional Solid Waste Commission  
Supplementary Schedule of Revenue and Expenses  
Year Ended June 30, 2005**

	Landfill	Recycling Processing	Recycling Collection	Household Hazardous Waste and Building Materials	General and Admin	Total
<b>Operating revenues:</b>						
Gate receipts	\$ 1,542,483	\$ -	\$ -	\$ -	\$ -	\$ 1,542,483
Drop-off reimbursement	-	-	16,011	-	-	16,011
Recycling	-	308,501	-	-	-	308,501
Hazardous chemical fees	-	-	-	33,765	-	33,765
Waste management fee	-	274,992	170,316	64,412	-	509,720
Total operating revenues	<u>1,542,483</u>	<u>583,493</u>	<u>186,327</u>	<u>98,177</u>	<u>-</u>	<u>2,410,480</u>
<b>Operating expenses:</b>						
Salaries	246,814	131,151	159,422	39,289	181,199	757,875
Payroll taxes	35,290	18,550	22,706	5,549	24,605	106,700
Employee benefits	75,270	36,716	58,062	10,644	49,251	229,943
Worker's compensation insurance	13,268	3,801	3,847	252	436	21,604
Safety	2,885	2,063	2,500	603	1,473	9,524
Inspection and regulatory assistance	40,774	-	-	-	-	40,774
Garbage and drop-off collection	509	3,520	14,975	-	-	19,004
Wood grinding and tire disposal	21,974	-	-	-	-	21,974
Leachate control and well sampling	45,992	-	-	-	-	45,992
Repairs and maintenance	100,192	16,696	12,544	195	-	129,627
Utilities	17,527	18,913	-	1,042	-	37,482
Telephone	-	-	1,857	1,101	5,545	8,503
Insurance	-	-	-	1,021	26,587	27,608
Supplies	83,899	12,292	10,632	6,385	12,250	125,458
Advertising and public education	-	-	-	6,548	23,361	29,909
Furniture and equipment	5,167	2,172	-	-	-	7,339
Containers	-	3,505	-	-	-	3,505
Contract service	34,399	1,678	10,705	9,212	18,277	74,271
DNR tonnage fees	93,034	-	-	-	-	93,034
Shipping	-	3,673	-	-	-	3,673
Travel and training	2,880	-	-	3,426	7,682	13,988
Sales tax	780	-	-	-	-	780
Tire program	1,236	-	-	-	-	1,236
Recycling rebates	-	32,451	-	-	-	32,451
Depreciation	413,843	78,885	23,951	15,873	6,522	539,074
Landfill closure and postclosure care	<u>(317,172)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(317,172)</u>
Total operating expenses	<u>918,561</u>	<u>366,066</u>	<u>321,201</u>	<u>101,140</u>	<u>357,188</u>	<u>2,064,156</u>
Operating income (loss)	<u>\$ 623,922</u>	<u>\$ 217,427</u>	<u>\$ (134,874)</u>	<u>\$ (2,963)</u>	<u>\$ (357,188)</u>	346,324
<b>Non-operating revenues (expenses):</b>						
Investment return						170,953
Interest expense						(4,635)
'Recycled 2 You' net retail sales						854
Gain/(loss) on sale of equipment						(332)
Grant income						6,229
Miscellaneous income						<u>22,290</u>
Change in net assets						<u>\$ 541,683</u>

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**Independent Auditor's Combined 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 Commission Members  
Des Moines County Regional Solid Waste Commission  
Burlington, Iowa

We have audited the accompanying financial statements of the Des Moines County Regional Solid Waste Commission, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 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 the Des Moines County Regional Solid Waste Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

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

Compliance and Other Matters

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

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. There were no prior year statutory comments.

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

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

*Walker Egerton & Hunsaker PC*

September 9, 2005

**Des Moines County Regional Solid Waste Commission**  
**Schedule of Findings**  
**Year Ended June 30, 2005**

**Findings Related to the Financial Statements:**

**Reportable Conditions**

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

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

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

Conclusion - Response accepted.

**Other Findings Related to Statutory Reporting:**

- (1) Official Depositories - A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.
- (4) Authority Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Authority's investment policy were noted.

**Des Moines County Regional Solid Waste Commission  
Schedule of Findings  
Year Ended June 30, 2005**

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

- (6) Solid Waste Fees Retained - During the year ended June 30, 2005, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (7) Financial Assurance - The Authority has demonstrated financial assurance for closure and postclosure care costs through the application of tests required under the local government financial test mechanism prescribed in Environmental Protection Commission Chapter 111.6(8) of the Iowa Administrative Code and through funding the local government dedicated fund at the level prescribed in Environmental Protection Commission Chapter 111.6(8) of the Iowa Administrative Code. All components of the local government financial test were met for the year ended June 30, 2005. The calculation is made as follows:

**Local government financial test:**

Annual revenue for year ended June 30, 2005 \$ 2,601,204

Multiplied by 43%, the limit of closure and postclosure care costs that may be assured under the local government test 1,118,518

**Local government dedicated fund:**

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 795,095	\$ 606,030
Less: closure and postclosure care costs assured under the local government test at June 30, 2004	<u>(795,095)</u>	<u>(323,423)</u>

Closure and postclosure care costs exceeding the limits set under the local government test	\$ -	\$ 282,607
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Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2005	\$ 506,125	\$ 381,814
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