

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

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

June 30, 2005 and 2004

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

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**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

OFFICIALS

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

Independent Auditors' Report

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

We have audited the accompanying basic financial statements of Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Management Commission of Marshall County at June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated September 26, 2005 on our consideration of the Solid Waste Management Commission of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts 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 audits.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Bowman & Miller, P.C.

September 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Solid Waste Management Commission of Marshall County (the "Commission") provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ending June 30, 2005 and 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues increased 3%, or \$53,393, from fiscal 2004 to fiscal 2005. Gate fees and other revenues increased. County and City assessments remained relatively constant.
- ◆ The Commission's operating expenses were 4%, or \$53,680, more in fiscal 2005 than in fiscal 2004.
- ◆ The Commission's net assets increased 9%, or \$493,387, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statements of Net Assets present 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 Statements of Revenues, Expenses and Changes in Nets Assets are the basic statements of activities for proprietary funds. These statements present 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 Statements of Cash Flows present the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

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

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statements of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2005 totaled approximately \$5,927,000. This compares to approximately \$5,434,000 for fiscal 2004. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	2005	2004
Current assets	\$ 1,148,895	1,135,812
Restricted investments	1,732,602	1,524,659
Noncurrent assets	401,056	-
Capital assets at cost, less accumulated depreciation	3,265,756	3,412,708
Total assets	<u>6,548,309</u>	<u>6,073,179</u>
Current liabilities	95,881	124,405
Noncurrent liabilities	525,326	515,059
Total liabilities	<u>621,207</u>	<u>639,464</u>
Net assets:		
Invested in capital assets, net of related debt	3,265,756	3,405,724
Restricted	1,732,602	1,524,659
Unrestricted	928,744	503,332
Total net assets	<u>\$ 5,927,102</u>	<u>5,433,715</u>

The largest portion of the Commission's net assets (55%) is invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net assets are resources allocated to capital assets. The restricted portion of the Commission's net assets (29%) is for closure and postclosure care and park development. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net assets (16%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

Statements of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, interest expense and gains or losses on sale of assets. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2005 and 2004 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2005	2004
Operating revenues:		
Gate fees	\$ 1,827,603	1,781,592
County and city assessments	159,880	159,880
Other operating revenues	13,224	5,842
Total operating revenues	<u>2,000,707</u>	<u>1,947,314</u>
Operating expenses:		
Salaries	301,423	312,863
Employee benefits	88,637	58,870
Machinery maintenance, labor and parts	61,860	51,057
Oil and gas	51,059	36,453
Long range planning and engineering	28,157	18,792
Site maintenance	54,905	46,618
Site utilities	11,329	10,809
Equipment rent	1,005	1,415
Office expenses	19,683	13,077
Training and travel	3,736	6,965
Public education	8,629	42,152
Legal and accounting	14,545	17,214
Insurance	47,522	45,910
Closure and postclosure care costs	10,267	-
Planning and recycling expense	181,702	212,827
Iowa Department of Natural Resources tonnage fees	109,788	109,351
Depreciation	500,303	466,808
Non-capitalized equipment	14,251	6,610
Payroll taxes	25,172	25,627
Commission expense	1,444	1,421
Retirement expense	17,587	18,084
Miscellaneous	12,349	8,750
Total operating expenses	<u>1,565,353</u>	<u>1,511,673</u>
Operating income	435,354	435,641
Non-operating revenues (expenses):		
Interest income	58,100	47,365
Interest expense	(267)	(21,015)
Loss on sale of assets	200	(2,933)
Net non-operating revenues	<u>58,033</u>	<u>23,417</u>
Change in net assets	493,387	459,058
Net assets beginning of year	<u>5,433,715</u>	<u>4,974,657</u>
Net assets end of year	<u>\$ 5,927,102</u>	<u>5,433,715</u>

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

In fiscal 2005, operating revenues increased by \$53,393, or 3%, primarily a result of gate fees increasing by approximately \$46,011 due to an increase in the volume of collections. Operating expenses increased by \$53,680, or 4%.

Statements of Cash Flows

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

CAPITAL ASSETS

At June 30, 2005, the Commission had approximately \$3.3 million invested in capital assets, net of accumulated depreciation of approximately \$5.1 million. Depreciation charges totaled \$500,303 for fiscal 2005. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2005, the Commission had \$525,326 in debt outstanding, a decrease of \$3,283 from 2004. The table below summarizes outstanding debt by type.

	June 30,	
	2005	2004
Land contract purchase	\$ -	6,984
Closure and postclosure care cost	<u>525,326</u>	<u>515,059</u>
Total	<u>\$ 525,326</u>	<u>522,043</u>

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

ECONOMIC FACTORS

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

- ◆ Facilities owned by the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- ◆ Volatility of the recyclables markets and the effect on net processing cost and product throughput volume.
- ◆ Federal and State solid waste legislation and rule revision and its effect on our current operating costs and long-term closure and postclosure care costs.
- ◆ The effect of increasing fuel and energy costs on operations.

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Solid Waste Management Commission of Marshall County, 2313 Marshalltown Boulevard, Marshalltown, Iowa.

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Statements of Net Assets
June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Assets		
Current assets:		
Cash	\$ 957,137	973,334
Accounts receivable	167,465	143,981
Prepaid insurance	21,319	18,497
Interest receivable	2,974	-
Total current assets	1,148,895	1,135,812
Noncurrent assets:		
Restricted investments	1,732,602	1,524,659
Certificates of deposit	401,056	-
Capital assets (net of accumulated depreciation)	3,265,756	3,412,708
Total noncurrent assets	5,399,414	4,937,367
Total assets	6,548,309	6,073,179
Liabilities		
Current liabilities:		
Accounts payable	44,912	51,614
Accrued liabilities	30,793	31,431
Salaries and benefits payable	20,176	34,119
Interest payable	-	257
Current portion of long-term liabilities	-	6,984
Total current liabilities	95,881	124,405
Non-current liabilities:		
Landfill closure and postclosure care costs	525,326	515,059
Total non-current liabilities	525,326	515,059
Total liabilities	621,207	639,464
Net assets:		
Invested in capital assets, net of related debt	3,265,756	3,405,724
Restricted for:		
Park development and maintenance	53,552	52,999
Closure and postclosure care	1,679,050	1,471,660
Unrestricted	928,744	503,332
Total net assets	\$ 5,927,102	5,433,715

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**
**Statements of Revenues, Expenses and
Changes in Net Assets**
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Gate fees	\$ 1,827,603	1,781,592
County and city assessments	159,880	159,880
Other operating revenues	13,224	5,842
Total operating revenues	<u>2,000,707</u>	<u>1,947,314</u>
Operating expenses:		
Salaries	301,423	312,863
Employee benefits	88,637	58,870
Machinery maintenance, labor and parts	61,860	51,057
Oil and gas	51,059	36,453
Long range planning and engineering	28,157	18,792
Site maintenance	54,905	46,618
Site utilities	11,329	10,809
Equipment rent	1,005	1,415
Office expenses	19,683	13,077
Training and travel	3,736	6,965
Public education	8,629	42,152
Legal and accounting	14,545	17,214
Insurance	47,522	45,910
Closure and postclosure care costs	10,267	-
Planning and recycling expense	181,702	212,827
Iowa Department of Natural Resources tonnage fees	109,788	109,351
Depreciation	500,303	466,808
Non-capitalized equipment	14,251	6,610
Payroll taxes	25,172	25,627
Commission expense	1,444	1,421
Retirement expense	17,587	18,084
Miscellaneous	12,349	8,750
Total operating expenses	<u>1,565,353</u>	<u>1,511,673</u>
Operating income	435,354	435,641
Non-operating revenues (expenses):		
Interest income	58,100	47,365
Interest expense	(267)	(21,015)
Gain (loss) on sale of assets	200	(2,933)
Net non-operating revenues	<u>58,033</u>	<u>23,417</u>
Change in net assets	493,387	459,058
Net assets beginning of year	<u>5,433,715</u>	<u>4,974,657</u>
Net assets end of year	<u>\$ 5,927,102</u>	<u>5,433,715</u>

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Statements of Cash Flows
Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 1,804,119	1,775,735
Cash received from assessments	159,880	159,880
Cash received from other operating receipts	13,224	5,842
Cash payments to suppliers for goods and services	(677,859)	(656,726)
Cash payments to employees for services	(404,003)	(375,968)
Net cash provided by operating activities	<u>895,361</u>	<u>908,763</u>
Cash flows from capital and related financing activities:		
Principal paid on notes payable	(6,984)	(436,984)
Interest paid on notes payable	(524)	(23,192)
Purchase of capital assets	(353,351)	(12,496)
Disposal of capital assets	200	900
Net cash (used) by capital and related financing activities	<u>(360,659)</u>	<u>(471,772)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(608,999)	(207,640)
Redemption of certificates of deposit	-	-
Interest received	58,100	47,365
Net cash (used) by investing activities	<u>(550,899)</u>	<u>(160,275)</u>
Net (decrease) increase in cash and cash equivalents	(16,197)	276,716
Cash and cash equivalents beginning of year	<u>973,334</u>	<u>696,618</u>
Cash and cash equivalents end of year	<u>\$ 957,137</u>	<u>973,334</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>435,354</u>	<u>435,641</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	500,303	466,808
Closure and postclosure costs	10,267	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(23,484)	(5,857)
(Increase) decrease in prepaid items	(2,822)	2,224
(Increase) decrease in interest receivable	(2,974)	-
(Decrease) increase in accounts payable	(6,702)	11,342
(Decrease) increase in accrued liabilities	(638)	2,840
(Decrease) increase in salaries and benefits payable	(13,943)	(4,235)
Total adjustments	<u>460,007</u>	<u>473,122</u>
Net cash provided by operating activities	<u>\$ 895,361</u>	<u>908,763</u>

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements June 30, 2005 and 2004

(1) Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

B. Basis of Presentation

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

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements (Continued) June 30, 2005 and 2004

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities and Net Investments

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

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2005 and 2004 include certificates of deposit of \$2,133,658 and \$1,524,659, respectively.

Accounts Receivable – Accounts receivable represent amounts billed for waste disposal services at June 30, 2005 and 2004. Because of the Commission's policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded.

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

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2005 and 2004**

(1) Summary of Significant Accounting Policies (Continued)

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

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

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2005 and 2004.

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 2004.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2005 and 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-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. The Commission's investments are considered to be a

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2005 and 2004**

(2) Cash and Investments (Continued)

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.

Investments are stated at fair value. The Commission's investments at June 30, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Restricted investments:		
Certificate of deposits	\$ 1,732,602	1,524,659
Unrestricted investments:		
Certificate of deposits	<u>401,056</u>	<u>—</u>
	<u>\$ 2,133,658</u>	<u>1,524,659</u>

The certificate of deposits outstanding as of June 30, 2005 had various maturity dates ranging from December 2005 to March 2008.

(3) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$17,587, \$18,084 and \$16,790, respectively, equal to the required contributions for each year.

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2005 and 2004**

(4) Property and Equipment

A summary of capital assets at June 30, 2005 and 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	\$ 600,818	-	-	600,818
Capital assets being depreciated:				
Land development costs	4,729,923	24,618	-	4,754,541
Buildings	255,016	-	-	255,016
Equipment and vehicles	1,873,587	328,733	(4,000)	2,198,320
Leachate system	521,751	-	-	521,751
Total capital assets being depreciated	7,380,277	353,351	(4,000)	7,729,628
Less accumulated depreciation for:				
Land development costs	2,911,191	247,755	-	3,158,946
Buildings	169,360	8,501	-	177,861
Equipment and vehicles	1,295,282	226,655	(4,000)	1,517,937
Leachate system	192,554	17,392	-	209,946
Total accumulated depreciation	4,568,387	500,303	(4,000)	5,064,690
Total capital assets being depreciated, net	2,811,890	(146,952)	-	2,664,938
Total capital assets, net	\$ 3,412,708	(146,952)	-	3,265,756

(5) General Long-Term Debt

The Commission signed a contract for the purchase of 69.84 acres of land. The contract was signed on September 20, 1995 and required annual principal payments of \$6,984 and a 7.5% interest rate. The contract matured on January 2, 2005. The outstanding loan balances on June 30, 2005 and 2004 was \$0 and \$6,984, respectively.

(6) Closure and Postclosure Care Costs

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

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements (Continued) June 30, 2005 and 2004

(6) Closure and Postclosure Care Costs (Continued)

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 the Solid Waste Management Commission of Marshall County have been estimated at \$917,100 for closure and \$1,041,000 for postclosure, for a total of \$1,958,100 as of June 30, 2005, and the portion of the liability that has been recognized is \$525,326. 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. This liability represents the cumulative amount reported to date based on the use of approximately 27 percent of the capacity of the landfill with a remaining life of seventy to eighty years.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2005, assets of \$1,679,050 are held for these purposes. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism.

Chapter 576-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2005 and 2004**

(7) Solid Waste Tonnage Fees Retained

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

As of June 30, 2005 and 2004, the Commission had no unspent amounts retained and restricted for the required purposes.

(8) Risk Management

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

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

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

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

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2005 and 2004**

(8) Risk Management (Continued)

Members retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member in addition to the premium contributions. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

The Commission's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contribution to the Pool for the years ended June 30, 2005 and 2004 was \$11,643 and \$10,894, respectively. Members agree to continue membership for a period of not less than one full year. At the conclusion of such period, or anniversary thereof, a Member who has given sixty days prior written notice to the Pool may withdraw.

(9) Recyclable Materials Processing and Public Education Agreements

The Commission entered into a recycling agreement with MIW, Inc. (the Company). The agreement is for the purpose of reducing the amount of tonnage entering the Commission's landfill operation and provides for payment of an amount per ton for the processing of recyclables at a processing facility maintained by the Company. The agreement is for a period of six years beginning January 1, 2004 and the formula used to calculate the processing fee will be reviewed every two years. The amount paid to the Company for the years ending June 30, 2005 and 2004 was \$108,799 and \$134,629, respectively.

The Commission has also entered into an agreement with Iowa Valley Community College District (IVCCD) to provide financial support for a part-time position whose purpose is to provide waste and recycling education in the Commission's service area. The agreement was for the period July 1, 2002 through June 30, 2005 at a beginning annual rate of \$18,750 and allowed for increases of 3% per year. The Commission has renewed the agreement for the period July 1, 2005 through June 30, 2008 at an annual rate of \$20,500 with 3% annual increases.

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 Solid Waste Management Commission
of Marshall County:

We have audited the accompanying financial statements of Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated September 26, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits, we considered Solid Waste Management Commission of Marshall County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 Solid Waste Management Commission of Marshall County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A Reportable condition is 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, we believe the reportable condition described above 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 Solid Waste Management Commission of Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance

with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the years ended June 30, 2005 and 2004 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Commission. Since our audits were 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.

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

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

Bowman and Miller, P.C.

September 26, 2005

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Schedule of Findings
Years Ended June 30, 2005 and 2004**

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Due to a limited number of personnel performing accounting functions, the Commission does not have adequate segregation of duties over accounting transactions. As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, when this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities.

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

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

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – The Commission has adopted a resolution naming official depositories. The maximum deposit amounts stated in the resolution were not exceeded during the years ended June 30, 2005 and 2004.
- (2) Questionable Expenses – No expense that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Board Minutes – No transactions were found that we believe should have been approved in the Commission's minutes but were not.
- (5) Deposits and Investments – The Commission is in compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Schedule of Findings (Continued)
Years Ended June 30, 2005 and 2004**

- (6) Solid Waste Tonnage Fees Retained – During the years ended June 30, 2005 and 2004, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (7) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 1,958,100
Less: Balance of funds held in the local dedicated fund at June 30, 2004	<u>(1,471,660)</u> 486,440
Divided by the number of years remaining in the pay-in period	÷ <u>3</u>
Required payment into the local dedicated fund for the year ended June 30, 2005	\$ 162,147
Balance of funds held in the local dedicated fund at June 30, 2004	<u>1,471,660</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2005	\$ <u>1,633,807</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2005	\$ <u>1,679,050</u>

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

Audit Staff

This audit was performed by:

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

Personnel:

James R. Bowman, CPA, Principal
Suzanne M. Mead, CPA, Principal

NEWS RELEASE

FOR RELEASE _____

Contact: Joe Robertson

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

The Commission had total revenues of \$2,000,707 for the year ended June 30, 2005, which included gate fees of \$1,827,603 and County and City assessments of \$159,880.

Expenses totaled \$1,565,353 for the year ended June 30, 2005, which included \$390,060 for employee salaries and benefits and \$28,157 for long range planning and engineering and \$181,702 in planning and recycling expense.

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