BLACK HAWK COUNTY SOLID WASTE MANAGEMENT COMMISSION

WATERLOO, IOWA

JUNE 30, 2007

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Officials

Name	Title	Representing
John Mardis	Chairperson	Small cities
Tim Shea	Chairperson Pro-Tem	City of Waterloo
Brian Heath	Secretary/Treasurer	City of Cedar Falls
Harold Getty	Member	City of Waterloo
Scott Jordan	Member	Black Hawk County
Brett Vette	Administrator	

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Independent Auditor's Report

Commissioners
Black Hawk County Solid Waste
Management Commission
Waterloo, Iowa

We have audited the accompanying statements of net assets of the Black Hawk County Solid Waste Management Commission at June 30, 2007 and 2006, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. 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 and provisions 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Black Hawk County Solid Waste Management Commission at June 30, 2007 and 2006, 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 *Government Auditing Standards*, we have also issued our report dated November 2, 2007 on our consideration of the Black Hawk County Solid Waste Management 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 read in conjunction with this report in considering the results of our audits.

The accompanying Management's Discussion and Analysis on Pages 3 through 5 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 primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hogan - Hansen

HOGAN - HANSEN

Waterloo, Iowa
November 2, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Black Hawk County Solid Waste Management Commission (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, 2007. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenue increased 5%, or $241,767, from fiscal 2006 to fiscal 2007.
- The Commission's operating expenses were 45%, or $1,184,295, higher in fiscal 2007 than in fiscal 2006.
- The Commission's net assets decreased 1%, or $166,122, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

The Black Hawk County Solid Waste Management Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the 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 Commission is improving or deteriorating.

The Statement of Revenue, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenue and expenses, nonoperating revenue 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 the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

Net assets may serve over time as a useful indicator of the Commission's financial position. A summary of the Commission's net assets at June 30, 2007 and 2006 is presented below.

	2007	2006
Current assets	$ 7,554,028	$ 16,173,516
Restricted assets	5,634,760	5,366,020
Capital assets at cost, less accumulated depreciation	4,633,900	2,136,840
Noncurrent, noncapital assets	6,480,027	480,027
Total Assets	**24,302,715**	**24,156,403**
Current liabilities	608,244	99,803
Noncurrent liabilities	2,987,962	3,183,969
Total Liabilities	**3,596,206**	**3,283,772**
Net Assets		
Invested in capital assets	4,633,900	2,136,840
Restricted	5,634,760	5,366,020
Unrestricted	10,437,849	13,369,771
Total Net Assets	**$ 20,706,509**	**$ 20,872,631**

A portion of the Commission's 2007 net assets (28%) is 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 30 years after closure. The 2007 invested in capital assets (22%) are resources allocated to capital assets. The remaining 2007 net assets (50%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

Statement of Revenue, Expenses and Changes in Net Assets

Operating revenue is received for fees and tonnage taxes from accepting solid waste from the residents and businesses in the county. Operating expenses are expenses paid to operate the landfill. 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. Nonoperating revenue and expenses include interest income, changes in the fair value of investments and rent from leasing land owned for future development. A summary of revenue, expenses and changes in net assets for the years ended June 30, 2007 and 2006 is presented below:

	2007	2006
Operating revenue	$ 4,732,770	$ 4,491,003
Operating expenses	3,800,312	2,616,017
Income From Operations	932,458	1,874,986
Net nonoperating revenue	900,967	618,977
Change in Net Assets	1,833,425	2,493,963
Distributions to member organizations	(1,999,547)	(1,999,547)
Net Assets - Beginning of Year	20,872,631	20,378,215
Net Assets - End of Year	**$ 20,706,509**	**$ 20,872,631**

In fiscal 2007, operating revenue increased by $241,767, or 5%, primarily a result of increased usage of the landfill. Operating expenses increased by $1,184,295, or 45%. The increase was primarily a result of the timing of the approval for other community awards funded from operations and a new contract with the landfill operator that included cost increases totaling approximately $1,000,000.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing and investing activities. Cash provided by operating activities in fiscal 2007 includes landfill fees and tonnage taxes reduced by payments to employees and to suppliers. Cash used from capital and related financing activities in fiscal 2007 includes distributions to member organizations and the purchase of capital assets. Cash provided by investing activities in fiscal 2007 includes purchases of securities, sales and maturities of securities and interest income.

CAPITAL ASSETS

At June 30, 2007, the Commission had approximately $4,600,000 invested in capital assets, net of accumulated depreciation of approximately $9,820,000. Depreciation and land amortization charges totaled $504,686 for fiscal 2007. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

The Commission's primary source of revenue is landfill fees. Landfill fees are expected to remain the same for fiscal year 2008. Operating expenditures in 2008 are expected to remain about the same as expenditures for fiscal year 2007. The Commission is expecting to incur capital expenditures of approximately $1.2 million related to developing Cell W-1 during fiscal year 2008.

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 the Black Hawk County Solid Waste Management Commission, P.O. Box 208, Waterloo, Iowa 50704-0208.

Basic Financial Statements

Statements of Net Assets

At June 30, 2007 and 2006

	2007	2006
Assets		
Current Assets		
Cash	$ 3,461,438	$ 1,803,468
Certificates of deposit	3,669,916	13,711,614
Receivables		
Trade accounts (net of allowance for doubtful accounts)	247,622	203,344
Interest	171,525	446,880
Prepaid insurance	3,527	8,210
Total Current Assets	**7,554,028**	**16,173,516**
Noncurrent Assets		
Restricted Assets		
Certificate of deposit for closure and postclosure care	2,330,084	2,232,801
Amounts held by trustee	3,304,676	3,133,219
Total Restricted Assets	**5,634,760**	**5,366,020**
Certificates of Deposit	**6,000,000**	**—**
Capital Assets, Net of Accumulated Depreciation	**4,633,900**	**2,136,840**
Investment in Farmland	**480,027**	**480,027**
Total Noncurrent Assets	**16,748,687**	**7,982,887**
Total Assets	**$ 24,302,715**	**$ 24,156,403**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 527,257	$ 99,803
Retainage payable	80,987	—
Total Current Liabilities	**608,244**	**99,803**
Noncurrent Liabilities		
Estimated accrued cost of landfill closure and postclosure care	**2,987,962**	**3,183,969**
Total Liabilities	**3,596,206**	**3,283,772**
Net Assets		
Invested in capital assets	4,633,900	2,136,840
Restricted for closure and postclosure care - EPA	3,304,676	3,133,219
- Iowa DNR	2,330,084	2,232,801
Unrestricted	10,437,849	13,369,771
Total Net Assets	**20,706,509**	**20,872,631**
Total Liabilities and Net Assets	**$ 24,302,715**	**$ 24,156,403**

See accompanying notes to the financial statements.

Statements of Revenue, Expenses and Changes in Net Assets

Years Ended June 30, 2007 and 2006

	2007	2006
Operating Revenue		
Landfill fees	$ 4,553,540	$ 4,318,247
Commission's share of tonnage tax	179,230	172,756
Total Operating Revenue	**4,732,770**	**4,491,003**
Operating Expenses		
Landfill operating fees	2,503,467	1,595,900
Current amount of total estimated cost of landfill closure and postclosure care	137,040	122,846
Changes in accounting estimates for remaining landfill capacity and cost of future closure and postclosure care	(217,208)	(3,287)
Depreciation and amortization	504,686	436,848
Payroll and related expenses	83,317	101,453
Administrative contract services	41,570	38,783
Professional fees	91,037	105,490
Insurance	10,729	13,956
Office supplies, postage and telephone	3,483	3,123
Projects and awards funded by tonnage tax	149,687	197,940
Other awards	480,952	—
Other	11,552	2,965
Total Operating Expenses	**3,800,312**	**2,616,017**
Operating Income	**932,458**	**1,874,986**
Nonoperating Revenue (Expenses)		
Interest income	869,820	697,254
Realized losses on investment transactions	(15,219)	(9,490)
Unrealized gains (losses) on investments	46,435	(85,740)
Other revenue	13,435	21,943
Other expenses	(13,504)	(4,990)
Net Nonoperating Revenue	**900,967**	**618,977**
Change in Net Assets	**1,833,425**	**2,493,963**
Distributions to member organizations	(1,999,547)	(1,999,547)
Net Assets - Beginning of Year	20,872,631	20,378,215
Net Assets - End of Year	**$ 20,706,509**	**$ 20,872,631**

See accompanying notes to the financial statements.

Statements of Cash Flows

Years Ended June 30, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Cash received from landfill fees	$ 4,509,262	$ 4,319,097
Cash collected for tonnage and sales taxes	448,900	432,856
Cash paid to other governments for tonnage and sales taxes	(269,670)	(260,100)
Cash paid to or on behalf of employees	(83,317)	(101,453)
Cash paid to suppliers	(3,267,706)	(2,431,764)
Net Cash Provided by Operating Activities	**1,337,469**	**1,958,636**
Cash Flows From Noncapital Financing Activities		
Other nonoperating income sources	13,435	21,943
Other nonoperating expenses	(13,504)	(4,990)
Net Cash Provided by (Used in) Noncapital Financing Activities	**(69)**	**16,953**
Cash Flows From Capital and Related Financing Activities		
Payments for acquisition of property and equipment	(2,573,569)	(115,716)
Payments for reclamation costs	(55,664)	(52,213)
Distributions to member organizations	(1,999,547)	(1,999,547)
Net Cash Used in Capital and Related Financing Activities	**(4,628,780)**	**(2,167,476)**
Cash Flows From Investing Activities		
Payment for purchase of certificates of deposit and investments	(12,000,000)	(496,466)
Cash received on sale/maturity of certificates of deposit and investments	15,944,415	496,466
Interest received	1,004,935	75,058
Net Cash Provided by Investing Activities	**4,949,350**	**75,058**
Net Increase (Decrease) in Cash	**1,657,970**	**(116,829)**
Cash at Beginning of Year	1,803,468	1,920,297
Cash at End of Year	**$ 3,461,438**	**$ 1,803,468**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 932,458	$ 1,874,986
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities, Net of Noncash Investing and Financing Activities		
Depreciation	168,203	172,621
Amortization of site costs	336,483	264,227
Change in accounting estimate for future landfill closure and postclosure care costs	(217,208)	(3,287)
Current amount of total estimated cost of landfill closure and postclosure	137,040	122,846
Loss on disposal of fixed asset	10,354	—
Change in Assets and Liabilities		
(Increase) decrease in receivables	(44,278)	850
(Increase) decrease in prepaid insurance	4,683	(118)
Increase in accounts payable	9,734	4,250
Decrease in awards payable to members	—	(477,739)
Net Cash Provided by Operating Activities	**$ 1,337,469**	**$ 1,958,636**

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies and Other Matters

Nature of Business

The Black Hawk County Solid Waste Management Commission (Commission) owns a landfill site in Black Hawk County which is operated and maintained under contract for a monthly fee computed in accordance with the contract fee schedule. The contract is with Waste Tech Inc. through June 30, 2011. The Commission grants credit to governmental and private sector customers, substantially all of whom are located in Black Hawk County.

The Commission functions as a "Public Agency" as defined in Chapter 28E of the Code of Iowa. The Commission was formed as a joint venture between Black Hawk County and several municipalities within the County. It is operated as an enterprise fund, and accordingly, the financial statements are presented on the accrual basis of accounting. The local governments which formed the Commission are liable for unpaid debts of the Commission should the Commission be unable to meet its obligations.

Reporting Entity

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

Basis of Presentation

The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (1) 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 (2) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

Enterprise Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their statements of net assets. The operating statements present increases (revenue) and decreases (expenses) in net total assets. In reporting the financial activity of its proprietary fund, 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 Standard Boards Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

(1) Summary of Significant Accounting Policies and Other Matters

Basis of Accounting

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

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

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses.

Cash and Certificates of Deposit

All of the Commission's deposits in banks and credit unions at June 30, 2007 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds. At June 30, 2007, the carrying amount of the Commission's deposits was $16,019,899. The Commission has a written investment policy and 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 members of the Commission and the Treasurer of the State of Iowa; 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.

At June 30, 2007 and 2006, the Commission had certificates of deposit with fair values that approximated cost and with the following maturities:

	Maturities (in Years)			
	Less Than 1	1-5	6-10	More Than 10
June 30, 2007	$ 6,000,000	$ 6,000,000	$ —	$ —
June 30, 2006	$ 15,944,415	$ —	$ —	$ —

For purposes of the statements of cash flows, the Commission considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Commission excludes all restricted investments held by a trustee from classification as cash equivalents.

(1) Summary of Significant Accounting Policies and Other Matters

Investments

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2007 and 2006, the Commission had the following assets held by a trustee:

		Maturities (in Years)			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
June 30, 2007					
Money market fund.....	$ 445,596	$ 445,596	$ —	$ —	$ —
U.S. Government securities	637,903	200,328	437,575	—	—
U.S. Agency securities	2,221,177	495,204	1,526,879	199,094	—
	$ 3,304,676	**$ 1,141,128**	**$ 1,964,454**	**$ 199,094**	**$ —**
June 30, 2006					
Money market fund.....	$ 307,169	$ 307,169	$ —	$ —	$ —
U.S. Government securities	833,009	215,219	617,790	—	—
U.S. Agency securities	1,993,041	183,445	1,659,432	150,164	—
	$ 3,133,219	**$ 705,833**	**$ 2,277,222**	**$ 150,164**	**$ —**

Interest Rate Risk. The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Commission.

Credit Risk. The Commission's investment in U.S. Government securities and U.S. Agency securities consists of bonds which are rated AAA by Moody's Investors Service. The money market fund valued at $445,596 is unrated.

Concentration of Credit Risk. The Commission has an investment policy that limits the amount invested in certain securities. No more than 10% of the investment portfolio is to be invested in prime bankers' acceptances with no more than 5% in that of a single issuer and no more than 10% of the investment portfolio to be invested in commercial paper or other short-term corporate debt with no more than 5% in that of a single issuer. At June 30, 2007, the Commission did not have any investment in either of these types of securities. The Commission's investments at June 30, 2007 included 13% invested in a money market fund, 19% invested in U.S. Government securities and 68% invested in U.S. Agency securities.

Restricted Assets

Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Income Taxes

In accordance with Internal Revenue Code Section 501(c)(1), the Commission is exempt from federal income taxes; therefore, no provision for income taxes is reflected in the financial statements.

(1) Summary of Significant Accounting Policies and Other Matters

Capital Assets

Capital assets are stated at cost and are capitalized if their cost is generally greater than $2,500 and estimated useful life is more than one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed over the same period. The Commission follows the general policy of depreciating building and equipment costs and certain land development costs under the straight-line method over the shorter of their estimated useful lives or the remaining life of the landfill. Although the estimated life of the current landfill site was shorter at June 30, 2007, the building and equipment costs are being depreciated over the following estimated useful lives because management plans to use those assets on an adjacent site when the current site is filled.

Type	Estimated Useful Lives
Land development costs	5 - 20 Years
Buildings	20 Years
Equipment	5 Years

Depreciation expense charged to operations was $168,203 and $172,621 for the years ended June 30, 2007 and 2006, respectively.

Certain land development costs and the cost of the landfill site, net of its estimated salvage value, are being amortized each year on the basis of the number of tons of waste disposed as a percentage of the total site capacity. Amortization expense of the site and its development costs for the years ended June 30, 2007 and 2006 were $336,483 and $264,227, respectively.

Landfill Closure and Postclosure Costs

As disclosed further in Note 5, the estimated total current cost of closure and postclosure care is recognized as an expense and as a liability in each period in which solid waste is accepted, based upon landfill usage rather than the passage of time. Amounts held by a trustee to provide financial assurances for landfill closure and postclosure care of areas under EPA regulation are stated at fair value in the asset section of the accompanying statements of net assets rather than as a reduction of the estimated liability for landfill closure and postclosure care.

(2) Cash Flow Statement Supplementary Information

	2007	2006
Schedule of Noncash Investing and Financing Activities		
Interest Income Added to Certificates of Deposit	**$ —**	**$ 478,893**
Investment Income Added to Restricted Trust Assets	**$ 140,240**	**$ 133,276**
Net Increase (Decrease) in the Fair Value of Restricted Trust Assets	**$ 31,216**	**$ (95,230)**
Cost of property and equipment	$ 3,072,276	$ 162,603
Amounts Payable		
Current year	(468,803)	(51,083)
Prior year	51,083	4,196
Retainages Payable		
Current year	(80,987)	—
Cash Paid for Property and Equipment	**$ 2,573,569**	**$ 115,716**

(3) Capital Assets

Capital asset activity for the years ended June 30, 2007 and 2006 was as follows:

	Balance June 30, 2005	Increase	Decrease	Balance June 30, 2006	Increase	Decrease	Balance June 30, 2007
Capital Assets Not Being Depreciated							
Construction in progress	$ 365,428	$ 109,401	$ —	$ 474,829	$ 1,508,013	$ 81,743	$ 1,901,099
Capital Assets Being Depreciated							
Landfill site	1,061,514	—	—	1,061,514	—	—	1,061,514
Land development costs	8,870,713	2,236	—	8,872,949	2,869	—	8,875,818
Building	782,470	1,349	—	783,819	1,615,627	11,890	2,387,556
Equipment	151,157	49,617	—	200,774	27,512	—	228,286
Total Capital Assets Being Depreciated	10,865,854	53,202	—	10,919,056	1,646,008	11,890	12,553,174
Less Accumulated Depreciation and Amortization for							
Landfill site	818,069	—	—	818,069	—	—	818,069
Land development costs	7,391,347	399,664	—	7,791,011	518,607	—	8,309,618
Building	460,573	32,097	—	492,670	33,664	1,536	524,798
Equipment	150,208	5,087	—	155,295	12,593	—	167,888
Total Accumulated Depreciation	8,820,197	436,848	—	9,257,045	564,864	1,536	9,820,373
Net Capital Assets Being Depreciated	2,045,657	(383,646)	—	1,662,011	1,081,144	10,354	2,732,801
Net Capital Assets	**$ 2,411,085**	**$ (274,245)**	**$ —**	**$ 2,136,840**	**$ 2,589,157**	**$ 92,097**	**$ 4,633,900**

*Includes $60,178 resulting from change in estimated capacity of landfill Cell X.

(4) Assets Held by Trustee

Federal regulations require that the Commission establish a trust for the purpose of providing financial security for 30 years of postclosure care (see Note 5). The Trust's deposits and investments are stated at fair value and are summarized as follows at June 30, 2007 and 2006:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
June 30, 2007			
Money market fund	$ 445,596	$ 445,596	$ —
U.S. Treasury securities	659,903	637,903	(22,000)
U.S. Agency securities	2,242,688	2,221,177	(21,511)
	$ 3,348,187	**$ 3,304,676**	**$ (43,511)**

(4) Assets Held by Trustee

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
June 30, 2006			
Money market fund	$ 307,169	$ 307,169	$ —
U.S. Treasury securities	874,770	833,009	(41,761)
U.S. Agency securities	2,041,226	1,993,041	(48,185)
	$ 3,223,165	**$ 3,133,219**	**$ (89,946)**

The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of the investments. Realized gains or losses on investments that have been held in more than one fiscal year and sold in the current year are included in the net change in the fair value of investments.

During the years ended June 30, 2007 and 2006, the Commission realized losses of $15,219 and $9,490, respectively, upon the maturity of certain U.S. Treasury and U.S. Agency securities.

The Trust's investments are categorized to give an indication of the level of risk assumed by the Commission at year end. The U.S. Treasury and Agency Securities are Category 3 investments which means the investments are uninsured or unregistered and held by the trustee but not in the Commission's name. Money market mutual funds are not subject to risk categorization. See Note 1 for information regarding the Commission's investment policy.

The Commission can only receive cash from the trust upon the approval of the EPA. As a result, these assets are reported as restricted assets and restricted net assets on the accompanying statements of net assets.

(5) Estimated Closure and Postclosure Care Costs

The landfill site is currently regulated by the EPA for hazardous wastes and by the Iowa Department of Natural Resources (DNR) for nonhazardous wastes disposed of at the site.

DNR regulations require the reclamation of the landfill site by placing a final two-foot minimum earth covering over the project site. A portion of the total $2,271,625 estimated cost of closure and postclosure care of the nonhazardous portion of the site is accrued each year based on the number of acre feet of landfill space used as a percentage of the total site capacity.

During the years ended June 30, 2007 and 2006, $137,040 and $122,846, respectively, was accrued based on such usage, no amounts were incurred for closure costs and ($270,547) and $0, respectively, were the changes in the estimate of future closure and postclosure care costs, bringing the accrued liability for landfill closure and postclosure care costs under DNR regulations to $2,217,962 and $2,351,469 at June 30, 2007 and 2006, respectively.

The current active landfill cell was first put into use during January, 2000 and was expanded during the year ended June 30, 2005. The cell was estimated to be approximately 95% filled as of June 30, 2007. As of that date, the Commission and its consulting engineer estimate the life of the current landfill cell to be approximately three months.

(5) Estimated Closure and Postclosure Care Costs

The Commission has finished closing the hazardous waste area and received EPA approval of the closure. The EPA, in addition to requiring that a trust fund be established to provide funds for postclosure care (see Note 4), has instructed the Commission on what steps the EPA feels will be necessary to monitor the hazardous waste site over the 30-year postclosure period.

The Commission annually reevaluates its estimates of the remaining landfill capacity and of the future closure and postclosure care costs of certain areas of the landfill which were either in the process of closure or in postclosure as of June 30. The results of changes in those estimates were recognized as decreases in operating expenses of $217,208 and $3,287 for the years ended June 30, 2007 and 2006, respectively. Amounts incurred for postclosure care totaled $48,958 and $52,213, respectively, for the years ended June 30, 2007 and 2006. As a result of correspondence with the EPA and the consulting engineer, the Commission has estimated the total remaining monitoring costs to be $770,000 and $832,500 at June 30, 2007 and 2006, respectively.

A summary of the estimated accrued liability for landfill closure and postclosure care costs at June 30, 2007 and 2006 is as follows:

	2007	2006
Hazardous area	$ 770,000	$ 832,500
Nonhazardous area	2,217,962	2,351,469
Total	**$ 2,987,962**	**$ 3,183,969**

The above costs are reflected as liabilities in the accompanying statements of net assets and are based on an estimate of what it would cost to perform all closure and postclosure care in 2007. Actual costs may be higher due to inflation, changes in technology or changes in laws and regulations. In addition to the above costs, if as a result of monitoring the site, leaks of hazardous waste are discovered, the cost of compliance with regulations could become extremely large. The amount of any liability is not susceptible to estimation until it has been determined that a leak has occurred and the extent of that leak can be determined. Because no known leaks had occurred through the date of this report and the ultimate effects of any potential future leaks cannot presently be determined, no provision for any resultant liability has been made in the financial statements.

The amounts recorded on the statements of net assets for closure and postclosure liabilities differ from the amounts reported in its Annual Closure Postclosure Estimate to the DNR due to a 20% estimated contingency made by the Commission's contract engineer for unknown costs at this point. Generally accepted accounting principles preclude the Commission from recording contingent liabilities unless it is probable that a liability has been incurred.

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, 2007 and 2006, assets of $2,330,084 and $2,232,801, respectively, were restricted for these purposes, of which $680,084 and $582,801, respectively, is for closure and $1,650,000 is for postclosure care at both June 30, 2007 and 2006. They are reported as restricted cash and restricted net assets on the statements of net assets.

(5) Estimated Closure and Postclosure Care Costs

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 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(6) Risk Management

The Commission is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 560 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. 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 member's 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% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as prepaid expense at the time of payment to the risk pool and allocated evenly to expense during the year. During the years ended June 30, 2007 and 2006, the Commission made payments of $6,046 and $14,074, respectively, to the risk pool.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim and $5,000,000 in aggregate per year. For members requiring specific coverage from $2,000,000 to $10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

(6) Risk Management

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims had not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission has discontinued purchasing Pollution Liability Insurance Coverage and instead, will self-insure this potential liability. The amount of any such liability is not susceptible to estimation until it has been determined that pollution has occurred and the extent of that pollution can be determined. Therefore, no provision for any resultant liability has been made in the accompanying financial statements.

(7) Related Party Transactions

As described in Note 1, the Commission operates as a joint venture (28E organization) between several governmental entities. The Commission earns revenue and grants credit to these entities under normal credit terms.

During the year ended June 30, 2007, the Commission provided $480,952 to the communities served by the landfill for recycling projects. No such amounts were approved during the years ended June 30, 2006.

During each of the years ended June 30, 2007 and 2006, the Commission made distributions of net assets to the 28E members totaling $1,999,547.

(8) Commitments and Subsequent Events

The Commission has begun developing the next landfill cell. As of June 30, 2007, the Commission had incurred $1,149,000 of costs for engineering services and construction costs. The Commission approved approximately $2.4 million in contracts for the project.

During the year ended June 30, 2006, the Commission approved a $104,046 contract to complete the Washburn Road ditch project. As of June 30, 2007, $83,017 of costs related to this project had been incurred.

Subsequent to June 30, 2006, the Commission approved community awards of $480,953 to be paid to the communities served by the landfill.

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Independent Auditor's 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

Commissioners
Black Hawk County Solid Waste
Management Commission
Waterloo, Iowa

We have audited the accompanying financial statements of the Black Hawk County Solid Waste Management Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated November 2, 2007. We conducted our audit 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 audit, we considered the Black Hawk County Solid Waste Management Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Black Hawk County Solid Waste Management Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Black Hawk County Solid Waste Management Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Black Hawk County Solid Waste Management Commission's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the Black Hawk County Solid Waste Management Commission's financial statements that is more than inconsequential will not be prevented or detected by the Black Hawk County Solid Waste Management Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Black Hawk County Solid Waste Management Commission's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

The following comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2007 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.

The Black Hawk County Solid Waste Management Commission's responses to findings identified in our audit are described below. While we have expressed our conclusions on the Commission's responses, we did not audit the Black Hawk County Solid Waste Management Commission's responses and, accordingly, we express no opinion on them.

A. **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

B. **Travel Expense** - No disbursements of the Black Hawk County Solid Waste Management Commission money for travel expenses of spouses of Commission officials or employees were noted.

C. **Commission Minutes** - No transactions were found that we believe should have been included in the minutes but were not.

D. **Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy.

E. **Solid Waste Tonnage Fees Retained** - We noted no disbursements or retention of solid waste fees which were not in accordance with the provisions of Chapter 455B.310 of the Code of Iowa.

F. **Financial Assurance** - The Commission has demonstrated financial assurance for closure and postclosure care costs as provided in Chapter 111.6(9), Local Government Dedicated Fund, of the Iowa Administrative Code. The calculation is as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care.....	$ 728,725	$ 1,650,000
Less balance of funds held in the local dedicated fund at June 30, 2006	(582,801)	(1,650,000)
	145,924	—
Divided by the number of months remaining in the pay-in period	12/18ths	12/18ths
Required payment into the local dedicated fund for the year ended June 30, 2007	97,283	—
Balance of funds held in the local dedicated fund at June 30, 2006	582,801	1,650,000
Required Balance of Funds to be Held in the Local Dedicated Fund at June 30, 2007.....	**$ 680,084**	**$ 1,650,000**
Amount Commission has Restricted for Closure and Postclosure Care at June 30, 2007	**$ 680,084**	**$ 1,650,000**

This report, a public record by law, is intended solely for the information of the Commission members, management, the United States Environmental Protection Agency and the Iowa Department of Natural Resources and is not intended to be and should not be used by anyone other than these specified parties.

Hogan - Hansen

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Waterloo, Iowa
November 2, 2007