

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

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

June 30, 2007

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Contents

	<u>Exhibit</u>	<u>Page</u>
Officials .....		1
Independent Auditors' Report.....		2-3
Management's Discussion and Analysis.....		4-8
Basic Financial Statements:		
Statement of Net Assets .....	A	9
Statement of Revenues, Expenses and Changes in Net Assets .....	B	10
Statement of Cash Flows .....	C	11
Notes to Financial Statements .....		12-19
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 <i>Government Auditing Standards</i> .....		20-21
Schedule of Findings.....		22-23
Staff.....		24

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Greg Gordy	Chairperson	Mahaska County
Edward Elder	Vice-Chairperson	City of Fremont
Keith Garrett	Member	City of Oskaloosa
Edwin Davis	Member	City of New Sharon
Wayne Hook	Member	City of Oskaloosa
Connie Rodgers	Member	City of University Park
Peggy Wright	Member	Mahaska County
Alan DeBruin	Member	Mahaska County
Quentin Morrow	Member	City of Leighton
Gordon Lindblom	Member	City of Barnes City
John Jacobs	Member	City of Rose Hill
Richard Thomas	Member	City of Beacon
Steve Thomas	Manager	
Ray Gasperi	Secretary-Treasurer	City of Keomah Village

## Independent Auditors' Report

To the Members of Mahaska County Solid  
Waste Management Commission

We have audited the accompanying basic financial statements of Mahaska County Solid Waste Management Commission as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mahaska County Solid Waste Management Commission at June 30, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007 on our consideration of Mahaska County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 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.

*T&T Financial Group, P.C.*

Oskaloosa, Iowa  
October 5, 2007

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Mahaska County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

## FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 12%, or \$227,359, from fiscal 2006 to fiscal 2007. Gate fees and other revenues decreased.
- The Commission's operating expenses were 1%, or \$12,541, less in fiscal 2007 than in fiscal 2006.
- The Commission's net assets increased 18%, or \$832,446, from June 30, 2006 to June 30, 2007.

## USING THIS ANNUAL REPORT

The Mahaska 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 Mahaska County Solid Waste Management 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 Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

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

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

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2007 totaled approximately \$5,506,000. This compares to approximately \$4,673,000 for fiscal 2006. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	<u>2007</u>	<u>2006</u>
Current assets	\$ 3,689,102	3,179,038
Restricted investments	1,314,783	1,158,393
Capital assets at cost, less accumulated depreciation	<u>1,084,231</u>	<u>842,472</u>
Total assets	<u>6,088,116</u>	<u>5,179,903</u>
Current liabilities	75,798	86,927
Non-current liabilities	<u>506,431</u>	<u>419,538</u>
Total liabilities	<u>582,229</u>	<u>506,465</u>
Net assets:		
Invested in capital assets	1,084,231	842,472
Restricted	1,314,783	1,158,393
Unrestricted	<u>3,106,873</u>	<u>2,672,573</u>
Total net assets	\$ <u>5,505,887</u>	<u>4,673,438</u>

A portion of the Commission's net assets (24%) is restricted for closure and post closure care. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (20%, e.g., land, buildings and equipment) are resources allocated to capital assets. The remaining net assets (56%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

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

Operating revenues are received for gate fees from accepting solid waste. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for interest income and unrealized gain on investment. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2007 is presented below:

## *Statement of Cash Flows*

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

### **CAPITAL ASSETS**

At June 30, 2007, the Commission had approximately \$1,084,000 invested in capital assets, net of accumulated depreciation of approximately \$1,002,000. Depreciation charges totaled \$151,941 for fiscal 2007. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

### **ECONOMIC FACTORS**

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

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

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.

Changes in Net Assets		
	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating revenue:		
Gate fees	\$ 1,647,393	1,909,117
Other operating revenues	<u>45,564</u>	<u>11,196</u>
Total operating revenue	<u>1,692,957</u>	<u>1,920,313</u>
Operating expenses:		
Salaries	245,073	194,614
Employee benefits	66,491	61,459
Machinery maintenance, labor and parts	54,417	37,210
Oil and gas	86,675	69,314
Long range planning and engineering	28,443	23,546
Site maintenance	113,794	223,811
Site utilities	5,148	5,373
Office expense	6,432	6,829
Legal and accounting	7,525	8,330
Insurance	15,532	13,146
Closure and post closure care costs	86,893	85,195
Planning and recycling expenses	46,945	46,945
Iowa Department of Natural Resources tonnage fees	147,450	178,911
Depreciation	151,941	109,083
Miscellaneous	<u>3,460</u>	<u>14,994</u>
Total operating expenses	<u>1,066,219</u>	<u>1,078,760</u>
Operating income	<u>626,738</u>	<u>841,553</u>
Non-operating revenues (expenses):		
Interest income	211,466	127,735
Unrealized gain (loss) on investment	<u>(5,755)</u>	<u>(3,942)</u>
Net non-operating revenue	<u>205,711</u>	<u>123,793</u>
Change in net assets	832,449	965,346
Net assets beginning of year	<u>4,673,438</u>	<u>3,708,092</u>
Net assets end of year	\$ <u>5,505,887</u>	<u>4,673,438</u>

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

In fiscal 2007, operating revenues decreased by \$227,359 or 12%, primarily a result of gate fees decreasing by approximately \$262,000 due to a decrease in the volume of collections. Operating expenses decreased by \$12,541, or 1%.

## **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 Mahaska County Solid Waste Management Commission, 2979 Highway 63, Oskaloosa, Iowa.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Statement of Net Assets  
June 30, 2007**

Assets

## Current assets:

Cash	\$ 231,142
Investments	3,235,930
Accounts receivable, less allowance for doubtful accounts of \$2,556	130,790
Accrued interest receivable	91,240
Total current assets	<u>3,689,102</u>

## Restricted assets:

Investments	1,314,783
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## Capital assets, net of \$1,001,718 accumulated depreciation

<u>1,084,231</u>
------------------

<u>6,088,116</u>
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Liabilities

## Current liabilities:

Accounts payable	47,836
Accrued vacation	21,361
Other payables	6,601
Total current liabilities	<u>75,798</u>

## Non-current liabilities:

Estimated liability for landfill closure and post closure care costs	<u>506,431</u>
Total liabilities	<u>582,229</u>

Net assets

## Restricted for:

Closure	131,812
Post closure care	1,182,971

Unrestricted	3,106,876
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Invested in capital assets	<u>1,084,231</u>
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Total net assets	<u>\$ 5,505,890</u>
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See accompanying notes to financial statements.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2007**

Operating revenues:	
Gate fees	\$ 1,647,393
Finance charges	13,557
Recovery of bad debt	32,000
Other operating revenues	7
Total operating revenues	<u>1,692,957</u>
Operating expenses:	
Salaries	245,073
Employee benefits	66,491
Machinery maintenance, labor and parts	54,417
Oil and gas	86,675
Long range planning and engineering	28,443
Site maintenance	113,794
Site utilities	5,148
Office expenses	6,432
Legal and accounting	7,525
Insurance	15,532
Closure and post closure care costs	86,893
Planning and recycling expenses	46,945
Iowa Department of Natural Resources tonnage fees	147,450
Depreciation	151,941
Miscellaneous	3,460
Total operating expenses	<u>1,066,219</u>
Operating income	<u>626,738</u>
Non-operating revenues (expenses):	
Interest income	211,466
Unrealized gain (loss) on investment	<u>(5,755)</u>
Net non-operating revenues	<u>205,711</u>
Change in net assets	832,449
Net assets, beginning of year	<u>4,673,438</u>
Net assets, end of year	<u>\$ 5,505,887</u>

See accompanying notes to financial statements.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Statement of Cash Flows For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from gate fees	\$ 1,838,550
Cash received from finance charges	13,557
Cash received from recovery of bad debt	32,000
Cash received from other operating receipts	7
Cash payments to suppliers for goods and services	(613,977)
Cash payments to employees for services	(223,712)
Net cash provided (used) by operating activities	<u>1,046,425</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(608,261)
Redemption of certificates of deposit	127,098
Purchase of property and equipment	(393,700)
Net cash provided (used) by investing activities	<u>(874,863)</u>
Net increase (decrease) in cash and cash equivalents	171,562
Cash and cash equivalents at beginning of year	<u>59,580</u>
Cash and cash equivalents at end of year	<u>\$ 231,142</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:	
Operating income	\$ <u>626,738</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	151,941
Closure and post closure costs	86,893
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	191,979
Increase (decrease) in payables	(11,126)
Total adjustments	<u>419,687</u>
Net cash provided (used) by operating activities	<u>\$ 1,046,425</u>

See accompanying notes to financial statements.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2007

### Note 1 – Summary of Significant Accounting Policies

Mahaska County Solid Waste Management Commission was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Mahaska County for use by all residents of the County.

The Commission is composed of one representative from each of the nine member cities and one representative from Mahaska County. The member cities are: Oskaloosa, University Park, Beacon, Keomah Village, New Sharon, Rose Hill, Fremont, Leighton and Barnes City. Each member shall be entitled to one vote, except Oskaloosa, which has five, and Mahaska County, which has four.

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, Mahaska 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. Mahaska County Solid Waste Management Commission has no component units which meet the Government Accounting Standards Board criteria.

#### B. Basis of Presentation

The accounts of Mahaska County Solid Waste Management Commission 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 that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2007

### Note 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 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, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2007 included certificates of deposit of \$3,235,930.

Accounts Receivable – The Commission carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Commission evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

The Commission's policy is to accrue interest on trade receivables 30 days after invoice date. A receivable is considered past due if the Commission has not received payments for 90 days. At that time, the Commission will discontinue accruing interest and turn the account over for collection. If a payment is made after it has been turned over for collection, the Commission will apply the payment to the outstanding principal first and resume accruing interest. Accounts are written off as uncollectible if no payments are received 90 days after they have been turned over for collection.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2007

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

#### D. Assets, Liabilities and Net Investments (Continued)

Restricted Assets – Funds set aside for payment of closure and post closure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost or estimated historical cost where historical cost is not available. Capital assets are defined by the Commission as assets with initial, individual costs in excess of \$500. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and lease improvements are amortized over 20-39 years and equipment is depreciated over a 5-7 year life.

The cost of repairs 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.

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 year ended June 30, 2007.

Compensated Absences – Commission employees accumulated 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, 2007, which was \$17,623 and the Commission's share of applicable IPERS was \$1,013 and FICA/Medicare was \$1,348.

Commission employees are compensated at December 31, for unused, accumulated sick days in excess of 80 days, not to exceed 12 days. The Commission's liability for the excess accumulated sick leave has been computed based on rates of pay in effect at June 30, 2007, which was \$1,213 and the Commission's share of applicable IPERS was \$70 and FICA/Medicare was \$93.

These amounts have been reflected as a liability.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2007

### Note 2 – Cash and Investments

The Commission's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

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

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

### Note 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 which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$11,949, \$10,395, and \$9,785, respectively, equal to the required contributions for each year.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Notes to Financial Statements (Continued)  
June 30, 2007**

**Note 4 – Capital Assets**

A summary of capital assets at June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land and improvements	\$ <u>82,200</u>	<u>-</u>	<u>-</u>	<u>82,200</u>
Capital assets being depreciated:				
Buildings	254,495	20,700	-	275,195
Equipment and vehicles	<u>1,355,554</u>	<u>373,000</u>	<u>-</u>	<u>1,728,554</u>
Total capital assets being depreciated	<u>1,610,049</u>	<u>393,700</u>	<u>-</u>	<u>2,003,749</u>
Less accumulated depreciation for:				
Buildings	129,589	6,667	-	136,256
Equipment and vehicles	<u>720,188</u>	<u>145,274</u>	<u>-</u>	<u>865,462</u>
Total accumulated depreciation	<u>849,777</u>	<u>151,941</u>	<u>-</u>	<u>1,001,718</u>
Total capital assets being depreciated, net	<u>760,272</u>	<u>241,759</u>	<u>-</u>	<u>1,002,031</u>
Total capital assets, net	\$ <u>842,472</u>	<u>241,759</u>	<u>-</u>	<u>1,084,231</u>

**Note 5 – Closure and Post Closure Care Costs**

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

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2007

### Note 5 – Closure and Post Closure Care Costs (Continued)

provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post closure 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 post closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post closure 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.

The total costs for Mahaska County Solid Waste Management Commission have been estimated at \$131,812 for closure and \$1,182,971 for post closure for a total of \$1,314,783 as of June 30, 2007, and the portion of the liability that has been recognized is \$506,431. These amounts are based on what it would cost to perform all closure and post closure care during the year ended June 30, 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is approximately 30 years and the capacity used at June 30, 2007 is 41 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post closure care accounts to accumulate resources for the payment of closure and post closure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2007, assets of \$1,314,783 are restricted for these purposes of which \$131,812 is for closure and \$1,182,971 is for post closure care. 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 post closure 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 post closure care account requirements. Accordingly, the landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2007

### Note 6 – 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, 2007, there were no unspent amounts retained by the Commission and restricted for the required purposes.

### Note 7 – Local Government Risk Pool

Mahaska County Solid Waste Management 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 July 1, 1987 to provide worker's compensation and property/casualty insurance to counties in the State of Iowa. At present, ten counties are members of the 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 county 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 purpose 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 for the year ended June 30, 2007 which covers exposure of specific losses in excess of \$350,000 per occurrence up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general and automobile liability. The workman's compensation policy obtained for the year ended June 30, 2007 covered exposures of \$350,000, up to the above stated maximum including retention of the pool. The coverage for workman's compensation was statutory. The risk pool fund records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2007, 2006, and 2005 the risk pool fund reported a surplus of pool assets over liabilities.

(continued)

MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION

Notes to Financial Statements (Continued)  
June 30, 2007

Note 7 – Local Government Risk Pool (Continued)

Members retain the risk of claims, if any, exceeding maximum reinsurance coverage 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, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

The Commission's property and casualty 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 contributions to the pool for the year ended June 30, 2007 were \$25,962. Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member may withdraw at the end of any given fiscal year.

Note 8 – Major Customer

The Commission received 77% of its operating receipts from one company during the year ended June 30, 2007. The same company has receivables amounting to 65% of all accounts receivable as of June 30, 2007.

MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION

Independent Auditors' Report on Internal Control

June 30, 2007

Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance  
and Other Matters Based on and Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Members of Mahaska County Solid  
Waste Management Commission:

We have audited the accompanying financial statements of Mahaska County Solid Waste Management Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated October 5, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mahaska 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 opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Mahaska County Solid Waste Management Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahaska County Solid Waste Management Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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 Mahaska County Solid Waste Management Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by Mahaska County Solid Waste Management Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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 Mahaska County Solid Waste Management Commission's internal control.

Our consideration of the 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (1) and (2) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska County Solid Waste Management Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance required to be reported under *Government Auditing Standards*.

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

Mahaska County Solid Waste Management Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Mahaska County Solid Waste Management Commission's responses and, accordingly, we express no opinion on them.

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

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

*TD&T Financial Group, P.C.*

Oskaloosa, Iowa  
October 5, 2007

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Schedule of Findings Year Ended June 30, 2007

### Findings Related to the Financial Statements:

#### Significant Deficiencies:

- 1) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that one person has control over each of the following areas for the Commission:
  1. Accounting System – record keeping for revenues and expenses, and related reporting.
  2. Receipts – collecting, depositing, journalizing and posting.
  3. Payroll – changes to master list, preparation and distribution.
  4. Bank Reconciliation – preparation and maintenance of accounting records.

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

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager or another official review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- 2) Financial Reporting – During the audit, we identified material amounts of revenues and expenses not reported correctly in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly report these amounts in the financial statements.

Recommendation – The Commission should not record journal entries to net expenses with DNR fees.

Response – We will stop recording the journal entries to net expenses with DNR fees.

Conclusion – Response accepted.

### Instances of Non-Compliance

No matters were reported.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Schedule of Findings (Continued)  
Year Ended June 30, 2007**

Other Findings Related to Statutory Reporting:

- (A) Official Depositories – the Commission has adopted a resolution naming official depositories and the depository amount was not exceeded.
- (B) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (C) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (D) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (E) Deposits and Investments – No instance of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted.
- (F) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2007, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (G) Financial Assurance – The Commission has demonstrated financial assurance for closure and post closure 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:

	<u>Closure</u>	<u>Post Closure</u>
Total estimated costs for closure and post closure care	\$ 126,987	1,139,664
Less: Balance of funds held in the local dedicated fund at June 30, 2006 plus amount delinquent for prior year	( 95,123)	(1,063,270)
	31,864	76,394
Divided by the number of years remaining in the pay-in period	÷ 1	1
Required payment into the local dedicated fund for the year ended June 30, 2007	31,864	76,394
Balance of funds held in the local dedicated fund at June 30, 2006	\$ 95,123	1,063,270
Required balance of funds held in the local dedicated fund at June 30, 2007	\$ 126,987	1,139,664
Amount Commission has restricted and reserved for closure and post closure care at June 30, 2007	\$ 131,812	1,182,971

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Staff

This audit was performed by:

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