

**FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**DUBUQUE METROPOLITAN AREA**  
**SOLID WASTE AGENCY**  
**(A Component Unit of the City of Dubuque, Iowa)**

## DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY

### Table of Contents

---

|  | <b><u>Page</u></b> |
|--|--------------------|
| <b>BOARD MEMBERS</b>   | 1                  |
| <b>INDEPENDENT AUDITOR'S REPORT</b>  | 2-3                |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>  | 4-7                |
| <b>BASIC FINANCIAL STATEMENTS</b>  |                    |
| Statement of Net Assets  | 8-9                |
| Statement of Revenues, Expenses, and Changes in Net Assets   | 10                 |
| Statement of Cash Flows  | 11                 |
| Notes to Financial Statements  | 12-20              |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  |                    |
| Schedule of Funding Progress for the Retiree Benefit Plan  | 21                 |
| <b>OTHER SUPPLEMENTARY INFORMATION</b>   |                    |
| Combining Statement of Net Assets  | 22                 |
| Combining Statement of Revenues, Expenses, and Changes in Net Assets   | 23                 |
| <b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING<br/>AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN<br/>AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE<br/>WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> | 24-25              |
| <b>SCHEDULE OF FINDINGS AND RESPONSES</b>  | 26-27              |

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
BOARD MEMBERS**

---

| <u>Name</u>        | <u>Title</u>     | <u>Term Expires</u> |
|--------------------|------------------|---------------------|
| David T. Resnick   | Chairperson      | December 31, 2009   |
| Richard W. Jones   | Vice Chairperson | December 31, 2009   |
| Eric J. Manternach | Board Member     | December 31, 2009   |



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

---

To the Dubuque Metropolitan Area  
Solid Waste Agency Board:

We have audited the accompanying financial statements of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, Iowa, as of and for the year ended June 30, 2009, which comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements referred to above present only the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, and are not intended to present fairly the financial position of the City of Dubuque and the changes in financial position and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, Iowa, as of June 30, 2009, and the changes in financial position and cash flows for the year 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 December 22, 2009, on our consideration of the Dubuque Metropolitan Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress for the retiree benefit plan listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the basic financial statements of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque. The accompanying other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
December 22, 2009

**DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

This section of the financial report of the City of Dubuque Metropolitan Area Solid Waste Agency (DMASWA) presents our discussion and analysis of the financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the financial statements of the DMASWA found in this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the DMASWA exceeded its liabilities at the close of the fiscal year by \$11,867,511 (net assets). This was a decrease of \$401,890 in net assets at June 30, 2009. Unrestricted net assets at June 30, 2009, in the amount of \$5,327,143 may be used to meet the DMASWA's ongoing obligations.
- Total operating expenses exceeded revenues by \$401,890.
- Within the DMASWA's operating fund, expenses exceeded revenues and transfers by \$315,577.
- Within the DMASWA's planning fund, expenses exceeded revenues and transfers by \$86,313.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The DMASWA's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. This discussion and analysis is intended to serve as an introduction to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

The statement of net assets presents information on all of the DMASWA'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 is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the DMASWA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what cash was used for and what was the change in cash and cash equivalents during the reporting year.

## FINANCIAL ANALYSIS

*Net assets.* As noted earlier, net assets may serve as a useful indicator of a facility's financial position when observed over time. In the case of the DMASWA, assets exceeded liabilities by \$11,867,511 at the close of the most recent fiscal year.

The largest part of the DMASWA's assets (67.8%) reflects its investment in cash and cash investments. The DMASWA's deposits at June 30, 2009, 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 bank depositories to insure there will be no loss of public funds.

### DMASWA NET ASSETS

|                                  | 2009<br>Total | 2008<br>Total |
|----------------------------------|---------------|---------------|
| Current and Other Assets         | \$ 11,039,198 | \$ 11,263,598 |
| Capital Assets                   | 4,830,707     | 4,396,427     |
| Total Assets                     | 15,869,905    | 15,660,025    |
| Long-term Liabilities            | 3,592,121     | 3,136,395     |
| Other Liabilities                | 410,273       | 254,229       |
| Total Liabilities                | 4,002,394     | 3,390,624     |
| Net Assets:                      |               |               |
| Invested in Capital Assets       | 4,830,707     | 4,396,427     |
| Restricted by State Statute      | 145,286       | 239,146       |
| Restricted for Minority Interest | 1,564,375     | 1,732,879     |
| Unrestricted                     | 5,327,143     | 5,900,949     |
| Total Net Assets                 | \$ 11,867,511 | \$ 12,269,401 |

Long-term liabilities increased due to the increase in the landfill closure and postclosure care liability.

Certain assets of the DMASWA are classified as restricted assets because they may be used only for such purposes specified by state statute.

At the close of fiscal year 2009, the DMASWA reports total operating loss of \$1,101,711 and a decrease in net assets of \$401,890.

**DMASWA**  
**CONDENSED STATEMENT OF REVENUES,**  
**EXPENSES, AND CHANGES IN NET ASSETS**

|                       | 2009                 | 2008                 |
|-----------------------|----------------------|----------------------|
|                       | Total                | Total                |
| Operating Revenues    | \$ 2,776,190         | \$ 3,213,432         |
| Operating Expenses    | 3,877,901            | 3,501,071            |
| Operating (Loss)      | (1,101,711)          | (287,639)            |
| Nonoperating Revenues | 699,821              | 491,479              |
| Change in Net Assets  | (401,890)            | 203,840              |
| Net Assets, Beginning | 12,269,401           | 12,065,561           |
| Net Assets, Ending    | <u>\$ 11,867,511</u> | <u>\$ 12,269,401</u> |

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital assets.* The DMASWA's investment in capital assets for its operating and planning funds as of June 30, 2009, amounts to \$4,830,707 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment. Additional information on the DMASWA's capital assets can be found in Note 3 to the financial statements in this report.

**CAPITAL ASSETS (net of accumulated depreciation)**

|                                   | 2009                | 2008                |
|-----------------------------------|---------------------|---------------------|
|                                   | Total               | Total               |
| Land                              | \$ 1,586,092        | \$ 1,586,092        |
| Buildings                         | 65,922              | 65,922              |
| Improvements other than buildings | 7,468,652           | 7,468,652           |
| Machinery and equipment           | 2,780,821           | 2,361,686           |
| Accumulated depreciation          | <u>(7,070,780)</u>  | <u>(7,085,925)</u>  |
|                                   | <u>\$ 4,830,707</u> | <u>\$ 4,396,427</u> |

*Long-term debt.* There was no long-term debt for the DMASWA during fiscal year ended June 30, 2009.

## **ECONOMIC FACTORS**

Rates did not change in fiscal year 2009. There was a 6.5% volume decrease in fiscal year 2009.

**Requests for information.** This financial report is designed to provide a general overview of the DMASWA's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Dubuque, Finance Director, 50 West 13<sup>th</sup> Street, Dubuque, Iowa 52001-4864.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

---

**ASSETS**

**CURRENT ASSETS**

|                           |                  |
|---------------------------|------------------|
| Cash and cash investments | \$ 7,079,423     |
| Receivables               |                  |
| Accounts                  | 218,028          |
| Accrued interest          | 37,240           |
| Prepaid items             | <u>28,749</u>    |
| Total Current Assets      | <u>7,363,440</u> |

**NONCURRENT ASSETS**

|  |                  |
|--|------------------|
| Temporarily restricted cash and cash investments       |                  |
| For landfill closure and postclosure care              | 3,530,472        |
| By State statute                                       | <u>145,286</u>   |
| Total temporarily restricted cash and cash investments | <u>3,675,758</u> |

**Capital Assets**

|                                   |                    |
|-----------------------------------|--------------------|
| Land                              | 1,586,092          |
| Buildings                         | 65,922             |
| Improvements other than buildings | 7,468,652          |
| Machinery and equipment           | 2,780,821          |
| Accumulated depreciation          | <u>(7,070,780)</u> |
| Net Capital Assets                | <u>4,830,707</u>   |

|                         |                  |
|-------------------------|------------------|
| Total Noncurrent Assets | <u>8,506,465</u> |
|-------------------------|------------------|

|              |                   |
|--------------|-------------------|
| Total Assets | <u>15,869,905</u> |
|--------------|-------------------|

(continued)

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

---

**LIABILITIES**

**CURRENT LIABILITIES**

|                              |                |
|------------------------------|----------------|
| Accounts payable             | \$ 194,158     |
| Accrued payroll              | 28,996         |
| Accrued compensated absences | 133,921        |
| Intergovernmental payable    | <u>53,198</u>  |
| Total Current Liabilities    | <u>410,273</u> |

**NONCURRENT LIABILITIES**

|                                       |               |
|---------------------------------------|---------------|
| Landfill closure and postclosure care | 3,574,082     |
| Net OPEB liability                    | <u>18,039</u> |

Total Noncurrent Liabilities 3,592,121

Total Liabilities 4,002,394

**NET ASSETS**

|                                  |                  |
|----------------------------------|------------------|
| Invested in capital assets       | 4,830,707        |
| Restricted by state statute      | 145,286          |
| Restricted for minority interest | 1,564,375        |
| Unrestricted                     | <u>5,327,143</u> |

Total Net Assets \$ 11,867,511

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

---

|  |                      |
|--|----------------------|
| OPERATING REVENUES   |                      |
| Charges for sales and services                             | \$ <u>2,776,190</u>  |
| OPERATING EXPENSES   |                      |
| Employee expense   | 921,736              |
| Utilities  | 29,659               |
| Repairs and maintenance                                    | 149,078              |
| Supplies and services                                      | 1,525,907            |
| Insurance  | 70,718               |
| Increase in closure and postclosure<br>estimated liability | 437,687              |
| Depreciation   | <u>743,116</u>       |
| Total Operating Expenses                                   | <u>3,877,901</u>     |
| OPERATING LOSS   | <u>(1,101,711)</u>   |
| NONOPERATING REVENUES                                      |                      |
| Intergovernmental  | 8,405                |
| Investment earnings  | 311,882              |
| Gain on disposal of assets                                 | <u>379,534</u>       |
| Total Nonoperating Revenues                                | <u>699,821</u>       |
| CHANGE IN NET ASSETS                                       | (401,890)            |
| NET ASSETS, BEGINNING                                      | <u>12,269,401</u>    |
| NET ASSETS, ENDING   | <u>\$ 11,867,511</u> |

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

|  |                          |
|--|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |
| Cash received from customers   | \$ 2,808,687             |
| Cash payments to suppliers for goods and services  | (1,664,429)              |
| Cash payments to employees for services  | <u>(832,049)</u>         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <u>312,209</u>           |
| <br><b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                               |                          |
| Intergovernmental grant proceeds   | <u>8,405</u>             |
| <br><b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                      |                          |
| Proceeds from sale of property and equipment   | 181,000                  |
| Proceeds from insurance recoveries   | 380,800                  |
| Acquisition and construction of capital assets   | <u>(1,359,662)</u>       |
| <b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>                        | <u>(797,862)</u>         |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |
| Interest received  | <u>438,299</u>           |
| <br><b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                     | <br>(38,949)             |
| <br><b>CASH AND CASH EQUIVALENTS, BEGINNING</b>  | <br><u>10,794,130</u>    |
| <br><b>CASH AND CASH EQUIVALENTS, ENDING</b>   | <br><u>\$ 10,755,181</u> |
| <br><b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                          |
| Operating loss   | <u>\$ (1,101,711)</u>    |
| Adjustments to reconcile operating loss to net cash provided by operating activities     |                          |
| Increase in landfill closure and postclosure estimated liability                         | 437,687                  |
| Depreciation   | 743,116                  |
| Change in assets and liabilities   |                          |
| Decrease in accounts receivable  | 32,497                   |
| Decrease in prepaid items  | 26,537                   |
| Increase in accounts and intergovernmental payables                                      | 84,396                   |
| Increase in accrued liabilities  | 71,648                   |
| Increase in net OPEB liability   | <u>18,039</u>            |
| Total Adjustments  | <u>1,413,920</u>         |
| <br><b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                     | <br><u>\$ 312,209</u>    |

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity*

The Dubuque Metropolitan Area Solid Waste Agency was created by an agreement between the City of Dubuque, Iowa, and Dubuque County, Iowa. Its purpose is to provide solid waste management for the Dubuque metropolitan area.

The Agency is governed by a three-person board consisting of two council members from the City of Dubuque and one supervisor from Dubuque County. Board members are appointed by their respective legislative bodies.

Under a contract with the Agency, the City of Dubuque operates and administers the Agency, including collecting, paying, and accounting for Agency funds.

Because the City of Dubuque appoints a majority of the Agency's governing board and has authority over those persons responsible for the day-to-day operations of the Agency, the Agency is considered a component unit of the City and is presented as such in the City's basic financial statements.

The Agency has determined that there are no potential component units which must be included in its financial statements.

*Basis of Accounting*

The Agency's accounting records are maintained on the cash basis. However, for financial reporting purposes, the accounting records have been adjusted to the accrual method, recognizing revenue when earned and expenses when liabilities are incurred.

*Budgets and Budgetary Accounting*

In accordance with the Code of Iowa, the Agency's governing board annually adopts a budget on the cash basis of accounting with an adjustment for accrued payroll following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Following is a schedule comparing the Agency's budget and actual disbursements using the cash basis of accounting with an adjustment for accrued payroll for the year ended June 30, 2009:

| <u>Function</u>          | <u>Budget</u>       |                     | <u>Actual</u>       | <u>Variance –<br/>Positive</u> |
|--------------------------|---------------------|---------------------|---------------------|--------------------------------|
|                          | <u>Original</u>     | <u>Final</u>        |                     |                                |
| Business-type activities | <u>\$ 4,607,021</u> | <u>\$ 5,601,746</u> | <u>\$ 3,857,100</u> | <u>\$ 1,744,646</u>            |

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

*Deposits and Investments*

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of governmental fund prepaids are recorded as expenditures when consumed rather than when purchased.

*Restricted Assets*

Certain assets of the Agency are classified as restricted assets because they may be used only for such purposes specified by state statute and for landfill closure and postclosure.

*Capital Assets*

Capital assets include property, plant, and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than \$20,000 for building assets and \$10,000 for the remaining assets, and an estimated useful life of more than a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                     | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings                         | 40 to 125    |
| Improvements other than buildings | 15 to 50     |
| Machinery and equipment           | 2 to 30      |

*Compensated Absences*

The Agency allows employees to accumulate a limited amount of earned, but unused, vacation and sick pay benefits. Such benefits are accrued when earned and are reported as liabilities.

*Equity*

Restricted net assets represent outside third-party restrictions and amounts restricted for minority interest of the Agency. The Agency is restricted to using certain amounts for purposes specified by state statute. The net assets restricted for minority interest is calculated at 22.7% of unrestricted net assets, based on the 1976 revenue bond resolution authorizing the issuance of revenue bonds for the construction of the landfill.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

*Subsequent Events*

The Agency has evaluated subsequent events through December 22, 2009, the date which the financial statements were available to be issued.

*Other Significant Accounting Policies*

Other significant accounting policies are set forth in the financial statements and the notes thereto.

**NOTE 2 – CASH ON HAND, DEPOSITS, AND INVESTMENTS**

Cash on hand represents authorized change funds and petty cash funds used for current operating purposes. The carrying amount at year-end was \$450.

The carrying amount of deposits for the Dubuque Metropolitan Area Solid Waste Agency was \$10,754,731 and the bank balance was \$11,026,563.

The Dubuque Metropolitan Area Solid Waste Agency is authorized by state 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 City Council; 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.

Investments are stated at fair value. The Agency had no investments at June 30, 2009, or during the year.

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

*Credit Risk.* The Agency's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Agency did not invest in any commercial paper or other corporate debt during the year.

*Concentration of Credit Risk.* The Agency's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Agency held no such investments during the year.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency held no investments during the year.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|
| Capital assets, not being depreciated:          |                              |                   |                     |                           |
| Land  | \$ 1,586,092                 | \$ -              | \$ -                | \$ 1,586,092              |
| Capital assets, being depreciated:              |                              |                   |                     |                           |
| Buildings                                       | 65,922                       | -                 | -                   | 65,922                    |
| Improvements other than buildings               | 7,468,652                    | -                 | -                   | 7,468,652                 |
| Machinery and equipment                         | <u>2,361,686</u>             | <u>1,408,111</u>  | <u>(988,976)</u>    | <u>2,780,821</u>          |
| Total capital assets, being depreciated         | <u>9,896,260</u>             | <u>1,408,111</u>  | <u>(988,976)</u>    | <u>10,315,395</u>         |
| Less accumulated depreciation for:              |                              |                   |                     |                           |
| Buildings                                       | (45,787)                     | (719)             | -                   | (46,506)                  |
| Improvements other than buildings               | (5,569,875)                  | (435,385)         | -                   | (6,005,260)               |
| Machinery and equipment                         | <u>(1,470,263)</u>           | <u>(307,012)</u>  | <u>758,261</u>      | <u>(1,019,014)</u>        |
| Total accumulated depreciation                  | <u>(7,085,925)</u>           | <u>(743,116)</u>  | <u>758,261</u>      | <u>(7,070,780)</u>        |
| Total capital assets, being depreciated,<br>net | <u>2,810,335</u>             | <u>664,995</u>    | <u>(230,715)</u>    | <u>3,244,615</u>          |
| Capital assets, net                             | <u>\$ 4,396,427</u>          | <u>\$ 664,995</u> | <u>\$ (230,715)</u> | <u>\$ 4,830,707</u>       |

Gain on disposal of capital assets includes \$380,800 in insurance proceeds. The book value of assets disposed receiving insurance proceeds was \$130,073, resulting in a net gain of \$250,727.

**NOTE 4 – LANDFILL CLOSURE AND POSTCLOSURE CARE**

State and federal laws and regulations require the Agency to place a final cover on each cell of its landfill site when filled and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and postclosure care costs will be paid only near or after the date that each cell stops accepting waste, the Agency reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date. The \$3,574,082 reported as landfill closure and postclosure care liability at June 30, 2009, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of cells 1, 2, 3, and 4, the use of 90% of the estimated capacity of cells 5 and 6, and the use of 55% of the estimated capacity of cells 7 and 8. The Agency will recognize the remaining estimated cost of closure and postclosure care of \$678,358 as the remaining capacity is filled.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

These amounts are based on what it would cost to perform all closure and postclosure care in 2009. The Agency expects to close cells 4, 5, and 6 in 2011, and cells 7 and 8 in 2014. The Agency is making plans to construct a second generation of cells to extend the life of the landfill to 2058. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Agency has begun to accumulate resources to fund these costs in accordance with state and federal financial assurance requirements. At June 30, 2009, funds have been restricted for closure and postclosure costs in the amount of \$3,530,472.

**NOTE 5 – PENSION AND RETIREMENT BENEFITS**

The Dubuque Metropolitan Area Solid Waste Agency 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 4.10% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$38,101, \$35,594, and \$31,822, respectively, equal to the required contributions for each year.

**NOTE 6 – RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance purchased from independent third parties and participates in a local government risk pool. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

The City of Dubuque has established a Health Insurance Reserve Fund for insuring benefits provided to City employees and covered dependents which is included in the Internal Service Fund Type. Health benefits were self-insured up to an individual stop-loss amount of \$85,000 and an aggregate stop-loss of \$6,075,095 for 2009. Coverage from a private insurance company is maintained for losses in excess of the stop-loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

The City of Dubuque has established a Workers' Compensation Reserve Fund for insuring benefits provided to City employees which is included in the Internal Service Fund Type. Workers' compensation benefits were self-insured up to a specific stop-loss amount of \$450,000, and an aggregate stop-loss consistent with statutory limits for 2009. Coverage from a private insurance company is maintained for losses in excess of the stop-loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the last three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

The Agency participates in both programs and makes payments to the Health Insurance Reserve Fund and the Workers' Compensation Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims.

The Agency 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 622 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. The Agency acquires automobile physical damage coverage through the Pool. All other property, inland marine, and boiler/machinery insurance is acquired through commercial insurance. 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 200 percent 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 Agency has property insurance in addition to the Pool.

The Agency'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 Agency's annual contributions to the Pool for the year ended June 30, 2009, were \$28,594.

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. The next \$2,650,000 in claims are covered with another pool (APEEP). Claims exceeding \$3,000,000 are 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.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

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, 2009, settled claims have not exceeded the risk pool or reinsurance company 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. If a member withdraws after the sixth year, the member is refunded 100 percent 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.

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Agency participates in the City of Dubuque's retiree benefit plan. The Agency's portion of the net OPEB obligation at June 30, 2009, is \$18,039. Information for the entire plan is as follows.

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* prospectively during the year ended June 30, 2009.

Plan Description – The City operates a single-employer retiree benefit plan which provides postemployment benefits for eligible participants enrolled in the City-sponsored plans, which includes the employees of the Dubuque Metropolitan Area Solid Waste Agency (a component unit). The Plan does not issue a stand-alone financial report. The benefits are provided in the form of:

An implicit rate subsidy where pre-65 retirees receive health insurance coverage by paying a combined retiree/active rate for the self-insured medical and prescription drug plan.

An explicit rate subsidy where the City pays the full cost of a \$1,000 policy in the fully-insured life insurance plan.

To be eligible for the health insurance coverage, retirees must be at least 55 years old, have completed 4 years of service, and be vested with either the Iowa Public Employee's Retirement System (IPERS) or the Municipal Fire and Police Retirement System of Iowa (MFPRSI). In addition to the health eligibility coverage requirements, one must have belonged to a bargaining group to be eligible for life insurance benefits. There are 482 active and 28 retired members in the plan.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 945,000        |
| Interest on net OPEB obligation            | -                 |
| Adjustment to annual required contribution | <u>-</u>          |
| Annual OPEB cost                           | 945,000           |
| Contributions made                         | <u>(24,843)</u>   |
| Increase in net OPEB obligation            | 920,157           |
| Net OPEB obligation, beginning of year     | <u>-</u>          |
| Net OPEB obligation, end of year           | <u>\$ 920,157</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the City paid \$233,080 for retiree claims. Plan members eligible for benefits contributed \$208,237 or 100% of the premium costs. The net resulted in City contributions of \$24,843.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009, are summarized as follows:

| <u>Year Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of<br/>Annual OPEB<br/>Cost Contributed</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|-------------------|-----------------------------|---|------------------------------------|
| June 30, 2009     | \$ 945,000                  | 2.6%  | \$ 920,157                         |

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$9,117,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,117,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$30,012,086 and the ratio of the UAAL to covered payroll was 30.4%. As of June 30, 2009, there were no trust fund assets.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS and MFPRSI Actuarial Reports as of June 30, 2007, and applying the termination factors used in the IPERS and MFPRSI Actuarial Reports as of June 30, 2007.

Projected claim costs of the medical plan are \$8,490 per year for retirees at age 60. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE BENEFIT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

---

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>(b-a/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 07/01/08                       | \$ -                                   | \$ 9,117,000                                      | \$ 9,117,000                       | 0.0%                     | \$ 30,012,086             | 30.4%   |

The Agency participates in the City of Dubuque’s retiree benefit plan. The above information is for the entire plan. See Note 7 in the accompanying Notes to Financial Statements.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2009**

|  | Operating<br>Fund    | Planning<br>Fund  | Total                |
|--|----------------------|-------------------|----------------------|
| <b>ASSETS</b>  |                      |                   |                      |
| <b>CURRENT ASSETS</b>                                  |                      |                   |                      |
| Cash and cash investments                              | \$ 7,057,188         | \$ 22,235         | \$ 7,079,423         |
| Receivables  |                      |                   |                      |
| Accounts   | 218,028              | -                 | 218,028              |
| Accrued interest                                       | 37,240               | -                 | 37,240               |
| Prepaid items  | 28,749               | -                 | 28,749               |
| Total Current Assets                                   | <u>7,341,205</u>     | <u>22,235</u>     | <u>7,363,440</u>     |
| <b>NONCURRENT ASSETS</b>                               |                      |                   |                      |
| Temporarily restricted cash and cash investments       |                      |                   |                      |
| For landfill closure and postclosure care              | 3,530,472            | -                 | 3,530,472            |
| By State statute                                       | -                    | 145,286           | 145,286              |
| Total temporarily restricted cash and cash investments | <u>3,530,472</u>     | <u>145,286</u>    | <u>3,675,758</u>     |
| Capital Assets   |                      |                   |                      |
| Land   | 1,586,092            | -                 | 1,586,092            |
| Buildings  | 65,922               | -                 | 65,922               |
| Improvements other than buildings                      | 7,468,652            | -                 | 7,468,652            |
| Machinery and equipment                                | 2,780,821            | -                 | 2,780,821            |
| Accumulated depreciation                               | <u>(7,070,780)</u>   | <u>-</u>          | <u>(7,070,780)</u>   |
| Net Capital Assets                                     | <u>4,830,707</u>     | <u>-</u>          | <u>4,830,707</u>     |
| Total Noncurrent Assets                                | <u>8,361,179</u>     | <u>145,286</u>    | <u>8,506,465</u>     |
| Total Assets   | <u>15,702,384</u>    | <u>167,521</u>    | <u>15,869,905</u>    |
| <b>LIABILITIES</b>                                     |                      |                   |                      |
| <b>CURRENT LIABILITIES</b>                             |                      |                   |                      |
| Accounts payable                                       | 194,158              | -                 | 194,158              |
| Accrued payroll  | 28,996               | -                 | 28,996               |
| Accrued compensated absences                           | 133,921              | -                 | 133,921              |
| Intergovernmental payable                              | 53,198               | -                 | 53,198               |
| Total Current Liabilities                              | <u>410,273</u>       | <u>-</u>          | <u>410,273</u>       |
| <b>NONCURRENT LIABILITIES</b>                          |                      |                   |                      |
| Landfill closure and postclosure care                  | 3,574,082            | -                 | 3,574,082            |
| Net OPEB liability                                     | 18,039               | -                 | 18,039               |
| Total Noncurrent Liabilities                           | <u>3,592,121</u>     | <u>-</u>          | <u>3,592,121</u>     |
| Total Liabilities                                      | <u>4,002,394</u>     | <u>-</u>          | <u>4,002,394</u>     |
| <b>NET ASSETS</b>                                      |                      |                   |                      |
| Invested in capital assets                             | 4,830,707            | -                 | 4,830,707            |
| Restricted by state statute                            | -                    | 145,286           | 145,286              |
| Restricted for minority interest                       | 1,564,375            | -                 | 1,564,375            |
| Unrestricted   | <u>5,304,908</u>     | <u>22,235</u>     | <u>5,327,143</u>     |
| Total Net Assets                                       | <u>\$ 11,699,990</u> | <u>\$ 167,521</u> | <u>\$ 11,867,511</u> |

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

|   | Operating<br>Fund    | Planning<br>Fund  | Total                |
|---|----------------------|-------------------|----------------------|
| <b>OPERATING REVENUES</b>   |                      |                   |                      |
| Charges for sales and services                                      | \$ 2,776,190         | \$ -              | \$ 2,776,190         |
| <b>OPERATING EXPENSES</b>   |                      |                   |                      |
| Employee expense  | 921,736              | -                 | 921,736              |
| Utilities   | 29,659               | -                 | 29,659               |
| Repairs and maintenance   | 149,078              | -                 | 149,078              |
| Supplies and services   | 1,525,907            | -                 | 1,525,907            |
| Insurance   | 70,718               | -                 | 70,718               |
| Increase in landfill closure and postclosure<br>estimated liability | 437,687              | -                 | 437,687              |
| Depreciation  | 743,116              | -                 | 743,116              |
| Total Operating Expenses  | 3,877,901            | -                 | 3,877,901            |
| <b>OPERATING LOSS</b>   | <b>(1,101,711)</b>   | <b>-</b>          | <b>(1,101,711)</b>   |
| <b>NONOPERATING REVENUES</b>  |                      |                   |                      |
| Intergovernmental   | 8,405                | -                 | 8,405                |
| Investment earnings   | 311,882              | -                 | 311,882              |
| Gain on disposal of assets  | 379,534              | -                 | 379,534              |
| Total Nonoperating Revenues   | 699,821              | -                 | 699,821              |
| <b>LOSS BEFORE TRANSFERS</b>  | <b>(401,890)</b>     | <b>-</b>          | <b>(401,890)</b>     |
| TRANSFERS IN  | 251,604              | 165,291           | 416,895              |
| TRANSFERS OUT   | (165,291)            | (251,604)         | (416,895)            |
| <b>CHANGE IN NET ASSETS</b>   | <b>(315,577)</b>     | <b>(86,313)</b>   | <b>(401,890)</b>     |
| <b>NET ASSETS, BEGINNING</b>  | <b>12,015,567</b>    | <b>253,834</b>    | <b>12,269,401</b>    |
| <b>NET ASSETS, ENDING</b>   | <b>\$ 11,699,990</b> | <b>\$ 167,521</b> | <b>\$ 11,867,511</b> |



CPAs & BUSINESS ADVISORS

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

---

To the Dubuque Metropolitan Area  
Solid Waste Agency Board:

We have audited the accompanying financial statements of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated December 22, 2009. 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 Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

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 Agency'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 Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses 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 the Agency'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, we believe the significant deficiency described is a material weakness.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency and are reported in Part II of the accompanying Schedule of Findings and Responses. 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.

We also noted certain additional matters that we reported to management in a separate letter dated December 22, 2009.

The Agency's responses to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusion on the Agency's responses, we did not audit the Agency'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 officials and employees of the Dubuque Metropolitan Area Solid Waste Agency, the citizens of the City of Dubuque and Dubuque County, and other parties to whom the Dubuque Metropolitan Area Solid Waste Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Dubuque Metropolitan Area Solid Waste Agency 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.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
December 22, 2009

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

---

**Part I: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS**

**I-A-09 Preparation of Financial Statements**

Criteria – A properly designed system of internal control over financial reporting calls for the preparation of an entity’s financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition – As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause – We recognize that with a limited number of office employees, preparation of the financial statements is difficult.

Effect – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation – We recommend that Agency officials continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Response – The American Institute of Certified Public Accountants implemented new auditing standards in 2007. There have been no changes in Agency procedures. A cost benefit analysis reflects that the Agency continue with the current contractual agreement that the CPA firm prepare our financial statements. The current five year audit contractual agreement expires with year ending June 30, 2010, audit and the Agency will review the issue prior to any new agreement. The Agency implemented procedures to prepare adjusting journal entries.

Conclusion – Response accepted.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009, did not exceed the amount budgeted.

II-B-09 Questionable Expenditures – We noted no expenditures that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-09 Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials and/or employees were noted.

II-D-09 Business Transactions – No business transactions between the Agency and its officials and/or employees were noted.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

---

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

- II-E-09 Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency’s investment policy were noted.
- II-H-09 Solid Waste Fees Retainage – The Dubuque Metropolitan Area Solid Waste Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- II-I-09 Financial Assurance – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code.



To the Dubuque Metropolitan Area Solid Waste Agency Board  
City of Dubuque, Iowa

---

We have audited the financial statements of the Dubuque Metropolitan Area Solid Waste Agency (Agency), a component unit of the City of Dubuque, Iowa, for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 20, 2009. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were:

Management's estimate of the depreciable lives is based on past history of life cycles of capital assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the landfill closure and postclosure care liability is based on third-party engineering cost studies and capacity estimates. We evaluated the key factors and assumptions used to develop the landfill closure and postclosure care liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other postemployment benefits is based on a calculation of actuarially determined contributions for health insurance benefits. We evaluated the key factors and assumptions used to develop the other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

PEOPLE. PRINCIPLES. POSSIBILITIES.

[www.eidebailly.com](http://www.eidebailly.com)

3999 Pennsylvania Ave., Ste. 100 ■ Dubuque, IA 52002-2273 ■ Phone 563.556.1790 ■ Fax 563.557.7842 ■ EOE

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 22, 2009.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Comments**

We have included additional comments regarding the financial statements and operations. These comments are not a result of in-depth study of any specific areas but are based on observations made during the course of our audit.

This information, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Dubuque County, Iowa, and other parties to whom the Dubuque Metropolitan Area Solid Waste Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

To the Dubuque Metropolitan Area Solid Waste Agency Board  
Page 3

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to the Dubuque Metropolitan Area Solid Waste Agency.

EIDE BAILLY LLP  
CPAs & Business Advisors

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and address.

Dubuque, Iowa  
December 22, 2009

# DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY

YEAR ENDED JUNE 30, 2009

## OTHER COMMENTS

---

### **Conversion of Accounting Records**

The Agency maintains its records using the cash basis of accounting. However, in order to comply with accounting principles generally accepted in the United States of America, the financial statements must be prepared using the accrual basis of accounting. Eide Bailly LLP currently posts all adjustments at year-end which are necessary to convert the Agency's cash-basis amounts to the amounts used in the financial statements.

At this time, the Agency is preparing the workpapers needed to convert the accounting records to the accrual basis at year-end. In 2009, the Agency also has started to prepare the journal entries to adjust the cash-basis amounts to the accrual basis of accounting. Eide Bailly LLP posts the journal entries and prepares the financial statements. Although it may require increased staffing levels, we encourage the Agency to continue in their advancement of converting to the accrual basis and preparation of the financial statements.

### **Governmental Accounting Standards Board (GASB)**

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the Dubuque Metropolitan Area Solid Waste Agency. The statements, which might impact the Dubuque Metropolitan Area Solid Waste Agency are as follows:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.