

Southeast Iowa Multi-County Solid Waste Management Agency

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

June 30, 2009

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**Southeast Iowa Multi-County Solid Waste Management Agency
Officials
June 30, 2009**

Name	Title	Representing
Richard Reed	Chairperson	Jefferson County
Jim Miksch	Secretary/Treasurer	Washington County
Richard Denny	Vice Chairperson	Keokuk County
Jim Dickinson	Member	Keokuk County
Ron Adam	Member	Jefferson County
Sandra Johnson	Member	Washington County
Bill Sloop	Manager	



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Independent Auditor's Report

Members
Southeast Iowa Multi-County Solid Waste Management Agency
Richland, Iowa

We have audited the accompanying financial statements of Southeast Iowa Multi-County Solid Waste Management Agency as of and for the year ended June 30, 2009. 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 described in Note 1, these financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than 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 modified cash basis financial position of Southeast Iowa Multi-County Solid Waste Management Agency as of June 30, 2009, and the changes in its modified cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009 on our consideration of Southeast Iowa Multi-County Solid Waste Management 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 controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

CPA Associates PC

December 17, 2009

Southeast Iowa Multi-County Solid Waste Management Agency Management's Discussion and Analysis

Southeast Iowa Multi-County Solid Waste Management Agency (Agency) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Agency is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2009 Financial Highlights

- The Agency's operating revenues increased 2%, or \$30,166, from fiscal 2008 to fiscal 2009
- Operating disbursements increased 18%, or \$140,173 from fiscal 2008 to fiscal 2009
- The Agency's net assets increased 5%, or \$245,963 from fiscal 2008 to fiscal 2009

Using This Annual Report

The Agency has elected to present its financial statements on the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues and expenses and the related assets and liabilities. Under the Agency's modified cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions and investments are carried at amortized cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations from the use of the modified cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The annual report consists 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 Agency's financial activities
- The Statement of Net Assets - Modified Cash Basis presents information on the Agency's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities
- The Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities
- 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 Agency

Statement of Net Assets - Modified Cash Basis

The Statement of Net Assets - Modified Cash Basis presents the assets and net assets of the Agency at the end of the fiscal year. The Statement of Net Assets - Modified Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Agency to the readers of the financial statements. Over time, readers of the financial statements are able to determine the Agency's financial position by analyzing the increases and decreases in net assets.

Assets and Net Assets - Modified Cash Basis		
	2009	2008
Assets		
Cash and cash equivalents	\$ 3,261,393	\$ 3,090,440
Investments	329,580	309,098
Restricted cash and cash equivalents	1,216,081	1,172,925
Restricted investments	<u>155,163</u>	<u>143,791</u>
Total assets	<u>\$ 4,962,217</u>	<u>\$ 4,716,254</u>
Net Assets		
Restricted for:		
Closure and postclosure	\$ 1,371,244	\$ 1,316,716
Unrestricted	<u>3,590,973</u>	<u>3,399,538</u>
Total net assets	<u>\$ 4,962,217</u>	<u>\$ 4,716,254</u>

The Agency has restricted 28% of its net assets for closure and postclosure expenditures. State and federal laws and regulations require the Agency to place final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets are unrestricted and can be used to meet the Agency's obligations as they come due. Restricted net assets increased \$54,528, or 4%, during the year. Unrestricted net assets increased \$191,435, or 6%, during the year due to an increase in landfill revenue and a decrease in expenditures related to new cell development.

Statement of Receipts, Disbursements and Changes in Modified Cash Basis Net Assets

The purpose of this statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the net asset balance at year end. Over time, readers of the financial statements are able to determine the Agency's modified cash basis financial position by analyzing the increase or decrease in modified cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste. Operating disbursements are paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, grant reimbursements, equipment purchases and capital projects.

A summary of receipts, disbursements and changes in modified cash basis net assets for the years ended June 30, 2009 and 2008 is presented below:

Changes in Modified Cash Basis Net Assets		
	2009	2008
Operating receipts:		
Solid waste fees	\$ <u>1,297,766</u>	\$ <u>1,267,600</u>
Operating disbursements:		
Landfill manager salary and benefits	111,419	78,392
Landfill operator contract	329,292	322,889
Iowa Department of Natural Resources tonnage fee	23,908	46,521
Household hazardous waste and disposal costs	21,975	24,458
Engineering and testing	66,816	56,690
Landfill site management	55,436	104,696
Landfill disposal costs	6,554	77,103
Leachate management	219,368	-
Other operating expenses	<u>70,806</u>	<u>54,652</u>
Total operating disbursements	<u>905,574</u>	<u>765,401</u>
Excess of operating receipts over operating disbursements	<u>392,192</u>	<u>502,199</u>
Non-operating receipts (disbursements):		
Interest income	158,902	198,509
Other income	8,863	10,458
Household hazardous waste building	-	(3,292)
Landfill buildings and equipment	-	(161,294)
New cell development	<u>(345,848)</u>	<u>(21,222)</u>
Non-operating receipts (disbursements), net	<u>(178,083)</u>	<u>23,159</u>
Increase in cash	214,109	525,358
Amortization of marketable debt securities	<u>31,854</u>	<u>29,742</u>
Increase in modified cash basis net assets	245,963	555,100
Modified cash basis net assets, beginning	<u>4,716,254</u>	<u>4,161,154</u>
Modified cash basis net assets, ending	<u>\$ 4,962,217</u>	<u>\$ 4,716,254</u>

In fiscal 2009, operating receipts increased by \$30,166, or 2%. The increase was the result of a \$5 per ton increase in tipping fees. Operating disbursements increased by \$140,173, due to the fact that the landfill had both a landfill manager and assistant manager from August through January and due to increased spending in the areas of landfill site management, disposal costs, and leachate management, primarily related to required remedial action in leachate management and control. Non-operating disbursements exceeded receipts by \$178,083 in fiscal 2009 primarily due to expenditures related to new cell development.

Economic Factors

The Agency's financial position improved during the current fiscal year. However, the current condition of the economy in Iowa continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Regulations related to new cell development will require the Agency to bear additional costs, including costs related to engineering, gas monitoring wells and leachate management
- Facilities require constant maintenance and upkeep
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost
- Annual deposits required to be made to closure and postclosure accounts are based on constant changes to closure and postclosure cost estimates and to the number of tons of solid waste received at the facility

The Agency anticipates the current fiscal year will present some new challenges and opportunities and management will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues. Leachate hauling and treatment continue to remain a significant expenditure. However, no major new cell construction is planned for the current fiscal year. The Agency is currently investigating opportunities to develop its landfill gas field and potentially generate revenue from either renewable energy programs or carbon credits.

Contacting the Agency's Financial Management

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

Southeast Iowa Multi-County Solid Waste Management Agency
Statement of Net Assets - Modified Cash Basis
June 30, 2009

Assets

Cash and cash equivalents	\$ 3,261,393
Investments	329,580
Restricted cash and cash equivalents	1,216,081
Restricted investments	<u>155,163</u>
Total assets	<u>\$ 4,962,217</u>

Net Assets

Restricted for:	
Closure and postclosure	\$ 1,371,244
Unrestricted	<u>3,590,973</u>
Total net assets	<u>\$ 4,962,217</u>

See notes to financial statements.

Southeast Iowa Multi-County Solid Waste Management Agency
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Net Assets
Year Ended June 30, 2009

Operating Receipts	
Solid waste fees	\$ <u>1,297,766</u>
Operating Disbursements	
Landfill manager salary and benefits	111,419
Landfill operator contract	329,292
Iowa Department of Natural Resources tonnage fee	23,908
Household hazardous waste and disposal costs	21,975
Insurance	4,287
Engineering and testing	66,816
Vehicle expense	4,660
Landfill site management	55,436
Landfill disposal costs	6,554
Leachate management	219,368
Utilities	5,058
Office equipment, supplies and printing	6,181
Professional fees	32,048
Miscellaneous	<u>18,572</u>
Total operating disbursements	<u>905,574</u>
Excess of operating receipts over operating disbursements	<u>392,192</u>
Non-Operating Receipts (Disbursements)	
Interest income	158,902
Other income	8,863
New cell development	<u>(345,848)</u>
Net non-operating receipts (disbursements)	<u>(178,083)</u>
Net change in cash	214,109
Amortization of marketable debt securities	<u>31,854</u>
Net change in modified cash basis net assets	245,963
Modified cash basis net assets, beginning	<u>4,716,254</u>
Modified cash basis net assets, ending	\$ <u>4,962,217</u>
Modified Cash Basis Net Assets	
Restricted net assets	\$ 1,371,244
Unrestricted net assets	<u>3,590,973</u>
Total modified cash basis net assets	\$ <u>4,962,217</u>

See notes to financial statements.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Southeast Iowa Multi-County Solid Waste Management Agency (Agency) was formed in 1974 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities on behalf of units of government which are members of the Agency.

The governing body of the Agency is composed of representatives from each of the member counties. The board is appointed by the participating members and each has one vote. Member counties are Washington, Jefferson and Keokuk.

Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) 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 Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Entity. The Agency has no component units that meet the GASB criteria.

Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Basis of Accounting

The Agency maintains its financial records on the basis of modified cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The modified cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including estimated payables for closure and postclosure care. Accordingly, the financial statements do not present the financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America. Modifications to the cash basis of accounting include carrying investments in marketable debt securities at amortized cost.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Agency considers cash in banks, including certificates of deposit, to be cash equivalents.

Net Assets

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

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Agency performed an evaluation of subsequent events through December 17, 2009. There have been no subsequent events that occurred that would require disclosure or recognition in the financial statements as of June 30, 2009.

Note 2. Cash and Investments

The Agency's deposits in banks 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 the depositors to insure there will be no loss of public funds.

The Agency 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 Agency; 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 carried at amortized cost of \$484,743 and consist of U.S. Treasury Bond stripped principal and interest payments with maturity dates ranging from November 15, 2011 to February 15, 2019. The investments have a fair value of \$610,066 at June 30, 2009.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 3. Closure and Postclosure Care Cost

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

GASB Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be \$884,916 for closure and \$808,705 for postclosure, for a total of \$1,693,621 as of June 30, 2009. The estimated remaining life of the landfill is 27 years, with approximately 16.9 percent of the landfill's capacity used at June 30, 2009.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and, at June 30, 2009, cash equivalents and investments of \$1,371,244 are restricted for these purposes, of which \$648,006 is for closure and \$723,238 is for postclosure care. They are reported as restricted net assets in the Statement of Net Assets - Modified Cash Basis.

When the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs under Chapter 567-113.14 of the Iowa Administrative Code (IAC). The Agency has adopted the local government dedicated fund mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 3. Closure and Postclosure Care Cost (continued)

- The fund is dedicated by local government statute as a reserve fund
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter
- Annual deposits to the fund are determined as follows:

$$NP = \frac{CE-CB}{Y}$$

NP = next payment
CE = total required financial assurance
CB = current balance of the fund
Y = number of years remaining in the pay-in period

Chapter 567-114.8 of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanisms.

Note 4. Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2009, the Agency had no unspent tonnage fees.

Note 5. Risk Management

The Southeast Iowa Multi-County Solid Waste Management Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by membership in a government risk-sharing pool, as allowed by Chapter 670.7 of the Code of Iowa.

The Agency is a member in the Iowa Communities Assurance Pool (Pool). The Pool is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The Pool provides coverage and protection in the following categories: general liability, automobile liability and public officials liability. 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.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 5. Risk Management (continued)

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's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2009 were \$2,164.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

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 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 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for commercial auto coverage in the amount of \$500,000. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 6. Landfill Manager Salary and Benefits

The landfill is managed by an employee of Jefferson County, Iowa. The Agency reimburses Jefferson County for the salary and benefits of the landfill manager on a quarterly basis. Landfill manager salary and benefit reimbursements totaled \$111,419 for the year ended June 30, 2009.

Note 7. Landfill Operator Contract

The Agency entered into a contract with Tri-County Landfill for the operation of the landfill. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools and equipment necessary for operation, except for recycling responsibilities. For the year ended June 30, 2009, the contractor was paid \$329,292 for these services. The contract will expire October 1, 2010.



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

Members

Southeast Iowa Multi-County Solid Waste Management Agency
Richland, Iowa

We have audited the accompanying financial statements of Southeast Iowa Multi-County Solid Waste Management Agency (Agency), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 17, 2009. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. 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 opinion 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 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, including 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 the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting 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 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 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 deficiencies described above are material weaknesses.

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*. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

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. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions 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 members and customers of Southeast Iowa Multi-County Solid Waste Management Agency and other parties to whom the 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 Southeast Iowa Multi-County Solid Waste Management Agency during the course of our audit. Should you have any questions concerning any of the above matters, we will be pleased to discuss them with you at your convenience.

CPA Associates PC

December 17, 2009

Southeast Iowa Multi-County Solid Waste Management Agency
Schedule of Findings
Year Ended June 30, 2009

Findings Related to the Financial Statements

Significant Deficiencies

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. Generally, the Agency has one individual who has control over the account billings, collections and deposits, for which no compensating controls exist.

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

Response - Existing personnel will be utilized to maximize additional control.

Conclusion - Response accepted.

- (B) Income Recognition and Cutoff Procedures - During our audit, we identified a material amount of cash receipts that had not been recorded as income due to inadequate cash cutoff procedures. The cash receipts consisted of interest income received during the year and added to the balance of numerous certificates of deposit, which was not recorded in the Agency's accounting records. Adjustments were subsequently made by the Agency to report the cash receipts in the proper accounting period.

Recommendation - The Agency should implement procedures to ensure receipts are properly recorded in the Agency's financial statements in the correct accounting period.

Response - The Agency will implement procedures to ensure that investment interest is recorded in the Agency's financial statements in the correct accounting period.

Conclusion - Response accepted.

Instances of Non-Compliance

No material matters of non-compliance with financial requirements were noted.

Other Findings Related to Statutory Reporting

- (1) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

**Southeast Iowa Multi-County Solid Waste Management Agency
Schedule of Findings
Year Ended June 30, 2009**

Other Findings Related to Statutory Reporting (continued)

- (3) Agency Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- (5) Solid Waste Fees Retainage - No instances on non-compliance with the the provisions of Chapter 455B310(2) of the Code of Iowa in the use or retainage of solid waste fees were noted.
- (6) Financial Assurance - The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 884,916	\$ 808,705
Less: Balance of funds held in the local dedicated fund at June 30, 2008	<u>605,689</u>	<u>711,027</u>
	279,227	97,678
Divided by the number of years remaining in the pay-in-period	<u>8</u>	<u>8</u>
Required payment into the local dedicated fund for the year ended June 30, 2009	34,903	12,210
Balance of funds held in the local dedicated fund at June 30, 2008	<u>605,689</u>	<u>711,027</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2009	<u>\$ 640,592</u>	<u>\$ 723,237</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2009	<u>\$ 648,006</u>	<u>\$ 723,238</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure fund be made at least yearly, and the deposits shall be made within 30 days of the close of the fiscal year. The required deposit was made during the year ended June 30, 2009.

- (7) Undeposited Cash Receipt - During our audit, we were not able to trace a \$912 check, received from the State of Iowa, to an Agency account deposit. Further investigation revealed that the check was endorsed by Renee Faul, the Agency's contracted bookkeeper, and cashed at one of the Agency's depository institutions approximately four months after the check was issued.

Recommendation - The Agency should investigate the circumstances related to these missing funds and pursue prosecution and/or restitution. Further, the Agency should consider whether other cash receipts handled by Renee Faul have been properly deposited into the Agency's accounts.

Response - The Agency has contacted the Keokuk County Attorney and the Sheriff's Department is investigating the matter. We have determined that all other cash receipts handled by Renee Faul have been properly deposited into the Agency's accounts and have amended our corporate authorization resolution with Federation Bank to state that checks to the Agency shall not be redeemed for cash or deposited anywhere other than into an Agency account.

Conclusion - Response accepted.