

Des Moines County Regional Solid Waste Commission

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

June 30, 2009

C o n t e n t s

	Page
Commission Members	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 8
Basic Financial Statements	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12 - 22
Required Supplementary Information	
Supplementary Schedule of Revenue and Expenses	23
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 <i>Government Auditing Standards</i>	24 - 25
Schedule of Findings	26 - 27

**Des Moines County Regional Solid Waste Commission
Commission Members
June 30, 2009**

<u>Member</u>	<u>Representing</u>
Doug Worden	Burlington
Don Fitting	Burlington
Jim Davidson	Burlington
Hans Trousil	West Burlington
Leroy Lippert	Danville
Paul Lorber	New London
Julie Tribbey	Mediapolis
Jeff Heland	Des Moines County
Brent Schleisman	Mt. Pleasant
Bob Evans	Morning Sun
Larry Jennings	Winfield
No representative - planning member	Middletown
No representative - planning member	Salem
No representative - planning member	Mt. Union
No representative - planning member	Westwood
No representative - planning member	Rome



214 North Fourth Street PO Box 547 Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

Independent Auditor's Report

Commission Members
Des Moines County Regional Solid Waste Commission
Burlington, Iowa

We have audited the accompanying financial statements of Des Moines County Regional Solid Waste Commission (Commission) as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Commission's 2008 financial statements and, in our report dated October 9, 2008, we expressed an unqualified opinion on those financial statements.

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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2009, and the changes in its financial position and its 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 October 1, 2009 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on page 23 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 our audits of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

CPA Associates PC

October 1, 2009

Des Moines County Regional Solid Waste Commission Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 4%, or \$141,121, from fiscal 2008 to fiscal 2009. Gate receipts increased, recycling revenues decreased and waste management fees did not change. The slight decrease in operating revenue is attributable to a decline in recycling markets.
- Operating expenses increased 11%, or \$336,121 from fiscal 2008 to fiscal 2009. Most of this increase is attributable to higher regulatory assistance, leachate control, groundwater monitoring and closure and postclosure care costs required by new state permit rules.
- The Commission's net assets decreased 2%, or \$147,747 from fiscal 2008 to fiscal 2009.
- In order to comply with rule changes governing the design and operation of landfills, the Commission initiated general revenue bonding of \$3,085,000 to cover an accelerated schedule for new landfill cell construction.
- Capital expenditures in fiscal 2009 included a new bulldozer and design and construction costs for a new landfill cell.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses, and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

- The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets totaled \$7,902,672 at June 30, 2009, a \$147,747 decrease from 2008.

A summary of the Commission's net assets at June 30, 2009 and 2008 is shown below:

	2009	2008
Assets:		
Current assets	\$ 3,571,708	\$ 3,442,494
Noncurrent assets	58,378	64,656
Restricted CD and investments	1,628,971	2,444,887
Capital assets, less accumulated depreciation	<u>6,386,993</u>	<u>5,904,485</u>
Total assets	<u>11,646,050</u>	<u>11,856,522</u>
Liabilities:		
Current liabilities	628,716	531,590
Noncurrent liabilities	<u>3,114,662</u>	<u>3,274,513</u>
Total liabilities	<u>3,743,378</u>	<u>3,806,103</u>
Net Assets:		
Invested in capital assets, net of related debt	3,600,571	2,812,577
Restricted	982,438	1,960,821
Unrestricted	<u>3,319,663</u>	<u>3,277,021</u>
Total net assets	<u>\$ 7,902,672</u>	<u>\$ 8,050,419</u>

Net assets invested in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets, represents resources allocated to capital assets. The Commission also has net assets that are restricted for closure and postclosure care and for future bond principal and interest payments. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

Summary of Operations and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste, waste management fees from member governments, fees for acceptance of household hazardous waste, and from the sale of recyclable materials collected. Operating expenses are paid to operate the landfill, recycling and household hazardous waste programs. Non-operating revenues and expenses are investment return, grant and other miscellaneous income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

A summary of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008 is presented below:

	2009	2008
Operating revenue:		
Gate receipts	\$ 2,227,166	\$ 2,208,515
Recycling	181,278	345,885
Waste management fees	509,730	509,720
Other	<u>86,058</u>	<u>81,233</u>
Total operating revenue	<u>3,004,232</u>	<u>3,145,353</u>
Operating expenses:		
Salaries and benefits	1,215,761	1,181,979
Repairs and maintenance	251,436	190,825
Insurance	67,265	65,297
Regulatory assistance and leachate control	311,544	106,408
Garbage and drop-off collection	20,398	19,223
Wood grinding and tire disposal	14,014	27,281
Occupancy	51,549	55,816
Telephone	8,323	8,469
Supplies, furniture and equipment	248,876	245,026
Contract service	104,267	88,326
DNR tonnage fees	94,740	104,511
Travel and training	14,463	17,943
Recycling rebates	18,693	59,606
Depreciation	641,809	600,424
Landfill closure and postclosure care	169,881	122,537
Other	<u>41,756</u>	<u>44,983</u>
Total operating expenses	<u>3,274,775</u>	<u>2,938,654</u>
Operating income	(270,543)	206,699
Non-operating revenues/(expenses), net	<u>122,796</u>	<u>354,745</u>
Change in Net Assets	(147,747)	561,444
Net assets, beginning of year	<u>8,050,419</u>	<u>7,488,975</u>
Net assets, end of year	<u>\$ 7,902,672</u>	<u>\$ 8,050,419</u>

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

In fiscal 2009, operating revenues decreased by \$141,121, or 4% as a result of a decrease in the sales of recyclable materials of \$164,607. The decrease in recyclable material sales was due primarily to a decline in market prices and demand. Operating expenses increased \$336,121, or 11%, due to an increase in regulatory assistance, leachate control, groundwater monitoring, and related closure and postclosure care costs required by new state permit rules.

Non-operating revenues/(expenses) decreased by \$231,949 in fiscal 2009, primarily due to the loss of grant revenue received in 2008, a decline in investment returns and an increase in interest expense.

Statement of Cash Flows

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

CAPITAL ASSETS

At June 30, 2009, the Commission had \$6,386,993 invested in capital assets, net of accumulated depreciation of \$4,188,287. Depreciation charges totaled \$641,809 for fiscal year 2009. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

LONG-TERM LIABILITIES

At June 30, 2009, the Commission had \$2,786,422 in debt outstanding, a decrease of \$305,486 from 2008. The debt consists of loans payable to Des Moines County and to the Iowa Department of Natural Resources for Solid Waste Alternatives Program projects. The Commission has also recorded a liability of \$646,533 for closure and postclosure care costs, a \$162,467 increase from 2008. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

ECONOMIC FACTORS

Des Moines County Regional Solid Waste Commission was able to improve its financial position during the current fiscal year, however the Commission continues to face several challenges, such as:

- Increasing regulatory burden that, combined with less predictable interpretation and implementation of rules by state regulators, is likely to require more frequent adjustments to construction activities and schedules.
- Facilities at the Commission requiring constant maintenance and upkeep.
- Technology continuing to expand and current technology becoming outdated, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.
- Annual required deposits to closure and postclosure accounts are based on constantly changing estimates, the number of tons of solid waste received at the facility, and fluctuations in the fair value of long term investments.

The Commission anticipates the current fiscal year will see the further clarification of new state landfill regulations, which will add expense to both operations and construction. The Commission has attempted to proactively adjust gate rates to accommodate these regulatory changes, but further adjustment may become necessary.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members' citizens and taxpayers, and the Commission's customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Des Moines County Regional Solid Waste Commission, 1818 West Burlington Avenue, Burlington, Iowa 52601.

Des Moines County Regional Solid Waste Commission
Statement of Net Assets
June 30, 2009

Assets

Current assets:

Cash and cash equivalents	\$ 988,750
Certificates of deposit	2,317,984
Accounts receivable	225,510
Prepaid expenses	13,127
Accrued interest income	21,265
Inventory, at cost	<u>5,072</u>
Total current assets	<u>3,571,708</u>

Noncurrent assets:

Bond issue costs, net of accumulated amortization	58,378
Certificates of deposit restricted for loan reserve fund and landfill facilities	509,568
Investments restricted for closure and postclosure, at fair value	1,119,403
Capital assets, net of accumulated depreciation	<u>6,386,993</u>
Total non-current assets	<u>8,074,342</u>

Total assets	<u>11,646,050</u>
--------------	-------------------

Liabilities

Current liabilities:

Accounts payable	204,363
Accrued expenses	90,371
Loan payable	<u>333,982</u>
Total current liabilities	<u>628,716</u>

Long-term liabilities:

Loans payable, net of current portion	2,452,440
Accrued termination benefits	15,689
Landfill closure and postclosure care	<u>646,533</u>
Total non-current liabilities	<u>3,114,662</u>

Total liabilities	<u>3,743,378</u>
-------------------	------------------

Net Assets

Invested in capital assets, net of related debt	3,600,571
Restricted for:	
Closure and postclosure care, net of related long-term liability	472,870
Loan reserve fund	308,500
Landfill facilities	201,068
Unrestricted	<u>3,319,663</u>
Total net assets	<u>\$ 7,902,672</u>

See notes to financial statements.

Des Moines County Regional Solid Waste Commission
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009 with Comparative Totals for 2008

	2009	2008 Comparative Totals
Operating revenues		
Gate receipts	\$ 2,227,166	\$ 2,208,515
Drop-off reimbursement	15,617	15,580
Recycling	181,278	345,885
Hazardous waste fees and reimbursements	70,441	65,653
Waste management fees	<u>509,730</u>	<u>509,720</u>
Total operating revenues	<u>3,004,232</u>	<u>3,145,353</u>
Operating expenses		
Salaries	850,919	836,362
Payroll taxes	118,464	113,308
Employee benefits	246,378	232,309
Workers' compensation insurance	30,795	31,747
Safety	8,754	9,426
Inspection and regulatory assistance	64,691	48,784
Garbage and drop-off collection	20,398	19,223
Wood grinding and tire disposal	14,014	27,281
Leachate control and well sampling	246,853	57,624
Repairs and maintenance	251,436	190,825
Utilities	51,549	55,816
Telephone	8,323	8,469
Insurance	36,470	33,550
Supplies	215,298	238,810
Advertising and public education	28,630	33,303
Equipment and equipment rent	33,578	6,216
Contract service	104,267	88,326
DNR tonnage fees	94,740	104,511
Shipping	2,405	780
Travel and training	14,463	17,943
Sales tax	1,967	1,474
Recycling rebates	18,693	59,606
Depreciation	641,809	600,424
Landfill closure and postclosure care	34,012	21,872
Change in closure and postclosure care estimate	<u>135,869</u>	<u>100,665</u>
Total operating expenses	<u>3,274,775</u>	<u>2,938,654</u>
Operating income (deficit)	<u>(270,543)</u>	<u>206,699</u>
Non-operating revenues (expenses)		
Investment return	124,189	147,104
Investment return restricted for closure and postclosure care	72,665	131,830
Interest expense	(121,273)	(97,525)
'Recycled 2 You' net retail sales	(84)	(293)
Grant income	-	141,500
Miscellaneous income	<u>47,299</u>	<u>32,129</u>
Net non-operating revenues (expenses)	<u>122,796</u>	<u>354,745</u>
Change in net assets	(147,747)	561,444
Net assets, beginning of year	<u>8,050,419</u>	<u>7,488,975</u>
Net assets, end of year	<u>\$ 7,902,672</u>	<u>\$ 8,050,419</u>

See notes to financial statements.

Des Moines County Regional Solid Waste Commission
Statement of Cash Flows
Year Ended June 30, 2009

Cash Flows from Operating Activities	
Cash received from gate fees	\$ 2,223,040
Cash received from waste management fees	510,631
Cash received from other operating receipts	314,300
Cash payments to suppliers for goods and services	(1,191,528)
Cash payments to employees for services	<u>(1,193,426)</u>
Net cash provided by operating activities	<u>663,017</u>
Cash Flows from Non-Capital Financing Activities	
Other receipts	<u>92,887</u>
Net cash provided by non-capital financing activities	<u>92,887</u>
Cash Flows from Capital and Related Financing Activities	
Principal payments on loans	(305,486)
Interest payments on loans	(114,933)
Purchase of capital assets	<u>(1,124,767)</u>
Net cash used by capital and related financing activities	<u>(1,545,186)</u>
Cash Flows from Investing Activities	
Redemption of certificates of deposit and investments	2,508,451
Purchase of certificates of deposit and investments	(1,250,222)
Interest income	<u>168,985</u>
Net cash used by investing activities	<u>1,427,214</u>
Net increase in cash and cash equivalents	637,932
Cash and cash equivalents, beginning of year	<u>350,818</u>
Cash and cash equivalents, end of year	<u>\$ 988,750</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating deficit	<u>\$ (270,543)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	641,809
Landfill closure and postclosure care accrual	162,467
Changes in assets and liabilities:	
Decrease in accounts receivable	43,739
Decrease in prepaid expenses	3,647
Decrease in inventory	1,666
Increase in accounts payable	69,538
Increase in accrued expenses	<u>10,694</u>
Total adjustments	<u>933,560</u>
Net cash provided by operating activities	<u>\$ 663,017</u>
Cash and cash equivalents consist of cash in checking accounts.	

See notes to financial statements.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

The Des Moines County Regional Solid Waste Commission (Commission) was formed in 1990 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Des Moines County and to provide member cities and counties with solid waste disposal and resource recovery projects.

The Commission is composed of thirteen member cities and Des Moines County. The member cities are Burlington, West Burlington, Middletown, Danville, New London, Mediapolis, Salem, Mt. Pleasant, Morning Sun, Mt. Union, Winfield, Westwood, and Rome. The Commission Board is comprised of representatives appointed by each political subdivision (Commission member) to be represented. Each member is entitled to one representative; except for Burlington, which is entitled to three representatives; and Middletown, Salem, Mt. Union, Westwood, and Rome, which have elected to be planning members and have not appointed a representative.

The Commission's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as described by the Governmental Accounting Standards Board (GASB).

Reporting Entity

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

Basis of Presentation

The accounts of the Commission are primarily organized as an Enterprise Fund. Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus

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

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

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

The Commission performed an evaluation of subsequent events through October 1, 2009. There have been no subsequent events that occurred that would require disclosure or recognition in the financial statements as of June 30, 2009.

Assets, Liabilities and Net Assets

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

Cash and Cash Equivalents - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 included certificates of deposit totaling \$2,827,552.

Accounts Receivable - Accounts receivable at June 30, 2009 consist of receivables for landfill fees, recycling fees, waste management fees, and reimbursements.

Inventory - Inventory is accounted for at the lower of cost or market, using the first-in, first-out method.

Restricted Certificates of Deposit and Investments - Certificates of deposit set aside for the Commission's loan reserve fund obligation and for future landfill facilities expenditures are classified as restricted. Investments set aside for payment of closure and postclosure care costs are classified as restricted.

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

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued) - Capital assets are defined by the Commission as assets with initial cost in excess of \$2,500 and an estimated useful life in excess of one year. Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Building	7-30 years
Equipment, furniture and fixtures	3-20 years
Landfill expansion/improvement	5-26 years

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation is reported as an accrued expense and has been computed based on rates of pay in effect at June 30, 2009.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2008

The financial information for the year ended June 30, 2008, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Note 2. Cash and Investments

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

The Commission's investments are categorized to give an indication of the level of risk assumed by the Commission at year end. The Commission's investments are all category 1, which means that the investments are insured or registered or the securities are held by the Commission or its agent in the Commission's name.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 2. Cash and Investments (continued)

At June 30, 2009, the Commission has invested in certificates of deposit as follows:

F&M Bank & Trust	2.81 %	maturing 10/10/2009	\$ 211,175
F&M Bank & Trust	2.81 %	maturing 10/5/2009	301,718
Danville Savings Bank	3.50 %	maturing 10/5/2009	149,875
Danville Savings Bank	2.00 %	maturing 10/6/2009	211,062
Danville Savings Bank	2.00 %	maturing 10/6/2009	211,062
Danville Savings Bank	4.90 %	maturing 4/9/2010	331,756
Danville Savings Bank	3.25 %	maturing 12/2/2009	314,836
Danville Savings Bank	3.25 %	maturing 7/9/2009	210,815
Danville Savings Bank	3.25 %	maturing 4/28/2010	247,948
Two Rivers Bank & Trust	1.09 %	maturing 10/17/2009	211,077
Two Rivers Bank & Trust	3.11 %	maturing 11/9/2009	213,114
Two Rivers Bank & Trust	3.11 %	maturing 11/9/2009	<u>213,114</u>
			<u>\$ 2,827,552</u>
Restricted certificates of deposit			\$ 509,568
Unrestricted certificates of deposit			<u>2,317,984</u>
			<u>\$ 2,827,552</u>

At June 30, 2009, the Commission held investments in U.S. Treasury Bond and Financing Corporation Zero Coupon stripped interest payments, restricted for closure and postclosure financial assurance, as follows:

U.S. Treasury Bond stripped interest payment, maturing August 15, 2016	\$ 676,373
Financing Corporation Zero Coupon stripped interest payments, maturing February 8, 2014 to September 26, 2019	<u>443,030</u>
Total investments at fair value	<u>\$ 1,119,403</u>

Note 3. Accounts Receivable

As of June 30, 2009, accounts receivable consist of the following:

Landfill tipping fees	\$ 171,787
Waste management fees	44,119
Recycling	5,595
Hazardous waste program receivables	<u>4,009</u>
	<u>\$ 225,510</u>

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 4. Capital Assets

A summary of capital assets at June 30, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 208,413	\$ -	\$ -	\$ 208,413
Capital assets, being depreciated:				
Building	2,897,926	100,703	-	2,998,629
Equipment, furniture and fixtures	2,873,395	272,089	(213,022)	2,932,462
Landfill expansion/improvement	<u>3,683,801</u>	<u>751,975</u>	<u>-</u>	<u>4,435,776</u>
Total capital assets being depreciated	9,455,122	1,124,767	(213,022)	10,366,867
Less accumulated depreciation	<u>3,759,050</u>	<u>641,809</u>	<u>(212,572)</u>	<u>4,188,287</u>
Total capital assets being depreciated, net	<u>5,696,072</u>	<u>482,958</u>	<u>(450)</u>	<u>6,178,580</u>
Capital assets, net	<u>\$ 5,904,485</u>	<u>\$ 482,958</u>	<u>\$ (450)</u>	<u>\$ 6,386,993</u>

Des Moines County donated property to the Commission during the fiscal year ended June 30, 1991. This property has been recorded at the value carried on the records of the County as follows:

Land	\$ 166,550
Building	379,477
Equipment, furniture and fixtures	<u>20,878</u>
	<u>\$ 566,905</u>

Note 5. Termination Benefits

The Commission's sick leave policy allows qualifying employees to receive one half of their unused accumulated sick leave as compensation immediately upon elective retirement. Employees must have worked for the Commission for at least fifteen years and reached the age of fifty-five. As of June 30, 2009, one employee qualifies for the benefit with a total liability of \$15,689. There were no termination benefit expenditures during the year ended June 30, 2009.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the Commission is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$53,436, \$50,156, and \$45,473, respectively, equal to the required contributions for each year.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 7. Closure and Postclosure Care

To comply with federal and state requirements, the Commission is required to complete a monitoring system plan and a closure and 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 post-closure 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 consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, technology, or applicable laws or regulations. Although closure and postclosure costs will be paid as the landfill closes individual cells and near or after the date that the landfill stops accepting waste, the Commission reports a portion of these closure and postclosure care costs as a liability based on landfill capacity used as of each Statement of Net Assets date.

These costs for the Commission have been estimated at \$1,571,900 closure cost for the 33.6 acres currently open and \$1,058,849 postclosure care for the entire permitted area. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The portion of the liability that has been recognized is \$646,533, which represents the cumulative amount reported to date based on the use of 27% of the estimated permitted capacity of the landfill. The Commission will recognize the remaining estimated cost of closure and postclosure care of \$1,984,216 as the remaining estimated permitted capacity is filled. The estimated remaining life of the permitted capacity is 64 years as of 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 Commission has begun accumulating resources to fund these costs, and at June 30, 2009, assets of \$1,119,403 are restricted for these purposes, of which \$663,590 is for closure and \$455,813 is for postclosure care. They are reported as restricted investments on the Statement of Net Assets.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 7. Closure and Postclosure Care (continued)

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission uses a letter of credit and the local government financial test as its assurance instruments.

Chapter 567-113.14(6)(f) of the IAC allows a government to choose the local government financial test mechanism to demonstrate financial assurance for an amount equal to 43% of the local government's total annual revenue. An alternate financial instrument must be obtained for costs that exceed this limit. The Commission has chosen the dedicated fund mechanism, under Chapter 567-113.14(6)(i) of the IAC, as its secondary financial assurance mechanism and a letter of credit for costs exceeding the government financial test mechanism limit. The Commission demonstrates financial assurance through the application of tests required under the local government financial test mechanism and the use of funds held in a local dedicated fund to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the combined local governmental financial test and dedicated fund financial assurance mechanisms.

Note 8. Jointly-governed Organization

The Commission is a participant in the Joint Safety Committee (JSC). The JSC is a cooperative effort by the Commission, the City of Burlington, Des Moines County and the Burlington Municipal Waterworks to monitor and improve on-the-job safety conditions and to assist in complying with Occupational Safety and Health Administration regulations. The Commission currently provides one member of the six member Committee. The Commission contributed \$5,511 in fiscal year 2009 to the JSC for operating expenses.

Note 9. Loans Payable

Change in loans payable for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
SWAP loan, recycling center expansion	\$ 172,000	\$ -	\$ (28,500)	\$ 143,500	\$ 38,000
SWAP loan, hazardous chemical center	99,908	-	(11,986)	87,922	15,982
Des Moines County Bonds	<u>2,820,000</u>	<u>-</u>	<u>(265,000)</u>	<u>2,555,000</u>	<u>280,000</u>
	<u>\$ 3,091,908</u>	<u>\$ -</u>	<u>\$ (305,486)</u>	<u>\$ 2,786,422</u>	<u>\$ 333,982</u>

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 9. Loans Payable (continued)

SWAP Loans

The Commission was selected by the Iowa Department of Natural Resources to participate in a Solid Waste Alternatives Program (SWAP) project. The Commission has received two awards. The first award provided \$400,000 for recycling center expansion in the form of a forgivable loan of \$20,000, a zero interest loan of \$150,000, and a 3% interest loan of \$230,000. The loan and related interest is payable in quarterly payments of \$10,427 ending July 15, 2012.

The second award provided \$99,908 for the construction of a hazardous chemical center in the form of a forgivable loan of \$20,000 and a zero interest loan of \$79,908. The loan is payable in quarterly payments of \$3,995 ending July 15, 2013.

Des Moines County Bonds

Des Moines County (County) issued General Obligation Capital Loan Notes (Notes) dated October 1, 2007 in the amount of \$3,085,000 and loaned the proceeds to the Commission to finance expansion of the Commission's existing solid waste facilities. The Commission issued a Solid Waste Revenue Bond to the County for the full amount of the Notes, which is payable in the amounts and at the same times and interest rates as those of the Notes. The Bonds and the interest are payable solely and only out of the net earnings of the Commission's Solid Waste System. As of June 30, 2009, the Commission has restricted certificates of deposit totaling \$509,568 representing proceeds of the Bonds that have not yet been expended for expansion of the Commission's existing solid waste facilities.

The Bonds mature with annual debt service payments ending June 1, 2017, bearing incrementally increasing interest rates ranging from 3.7% to 4.15%. The Commission is responsible for principal, interest and issuance costs related to the Note and Bonds.

Bond issue costs of \$69,252 have been deferred and are being amortized by the Commission as interest expense over the life of the bond issue. During the year ended June 30, 2009, the Commission amortized \$6,278 of bond issue costs, leaving remaining prepaid bond issue costs of \$58,378.

Secured Letter of Credit

The Commission has a secured letter of credit from F&M Bank & Trust for \$144,000 as part of their Financial Assurance Instrument to secure closure and postclosure care costs. The letter of credit is secured by substantially all Commission assets and matures May 27, 2010. No amounts have been drawn on the letter of credit during the year ended June 30, 2009.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 9. Loans Payable (continued)

Details of the Commission's indebtedness are as follows:

SWAP loan, recycling center expansion

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2010	\$ 38,000	\$ 3,708
Year ended June 30, 2011	38,000	3,708
Year ended June 30, 2012	38,000	3,708
Year ended June 30, 2013 (includes forgivable loan)	<u>29,500</u>	<u>-</u>
	<u>\$ 143,500</u>	<u>\$ 11,124</u>

SWAP loan, hazardous chemical center

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2010	\$ 15,982	\$ -
Year ended June 30, 2011	15,982	-
Year ended June 30, 2012	15,982	-
Year ended June 30, 2013	15,982	-
Year ended June 30, 2014 (includes forgivable loan)	<u>23,994</u>	<u>-</u>
	<u>\$ 87,922</u>	<u>\$ -</u>

Des Moines County Bond

	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
Year ended June 30, 2010	\$ 280,000	\$ 101,815	3.80 %
Year ended June 30, 2011	290,000	91,175	3.85
Year ended June 30, 2012	300,000	80,010	3.90
Year ended June 30, 2013	310,000	68,310	3.95
Year ended June 30, 2014	325,000	56,065	4.00
Year ended June 30, 2015	335,000	43,065	4.05
Year ended June 30, 2016	350,000	29,498	4.10
Year ended June 30, 2017	<u>365,000</u>	<u>15,147</u>	4.15
	<u>\$ 2,555,000</u>	<u>\$ 485,085</u>	

Note 10. Solid Waste Tonnage Fees Retained

The Commission restricts and uses those portions of solid waste tonnage fees retained in accordance with Chapter 455B.310 of the Code of Iowa. As of June 30, 2009, there were no unspent solid waste tonnage fees retained by the Commission that were required to be restricted.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 11. Unrestricted Net Assets Designated by the Commission

Remediation/Closure

As of June 30, 2009, the Commission had designated \$230,159 for landfill closure and postclosure care and corrective action, in addition to the financial assurance deposits required by State regulations.

Equipment Replacement

As of June 30, 2009, the Commission had designated \$570,751 for replacement of equipment used at the landfill.

Note 12. Risk Management

The Commission 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 government risk-sharing pools, as allowed by Chapter 670.7 of the Code of Iowa.

The Commission is a member of the Iowa Communities Assurance Pool and the Iowa Municipalities Workers' Compensation Association (Pools). The Pools are local government risk-sharing pools whose members include various governmental entities throughout the State of Iowa. The Pools provide coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, boiler/machinery and workers' compensation. There have been no reductions in insurance coverage from prior years during the year ended June 30, 2009.

Each member's annual casualty contributions to the Iowa Communities Assurance Pool (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. Cumulative Reserve Fund contributions are made during the first six years of membership and are maintained to equal 200 to 300 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 uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. In the event that a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' 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, payment of such claims shall be the obligation of the respective individual member. Settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 12 Risk Management (continued)

Member premiums paid to the Iowa Municipalities Workers' Compensation Association (IMWCA) are based on the rates approved annually by the Iowa Insurance Commissioner and fund all administrative expenses, claims, claims expenses, and reinsurance expenses. The IMWCA Board of Trustees approves a rating plan each year that applies discounts or surcharges to each member's premium based on its past loss experience. These discounts or surcharges are in addition to each member's experience modification factor. The membership agreement includes the provision that each member will be responsible for its pro-rata share of any workers' compensation or related employer liability claims which exceed the IMWCA's resources available to pay such claims. Members have never been assessed by the IMWCA and the IMWCA fund balance is in excess of all expenses funded by premiums as well as reserves for future known and unknown claims.

Note 13. Commitments and Contingencies

The Commission has outstanding commitments for regulatory and cell expansion contracts at the sanitary landfill totaling \$206,000.

The Government Accounting Standards Board (GASB) has issued a statement not yet implemented by the Commission. Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the Commission for the fiscal year ending June 30, 2010. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities, note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Commission's management has not yet determined the effects this statement will have on the Commission's financial statements.

Des Moines County Regional Solid Waste Commission
Supplementary Schedule of Revenue and Expenses
Year Ended June 30, 2009

	<u>Landfill</u>	<u>Recycling Processing</u>	<u>Recycling Collection</u>	<u>Household Hazardous Waste and Building Materials</u>	<u>General and Administration</u>	<u>Total</u>
Operating revenues						
Gate receipts	\$ 2,227,166	\$ -	\$ -	\$ -	\$ -	\$ 2,227,166
Drop-off reimbursement	-	-	15,617	-	-	15,617
Recycling	-	181,278	-	-	-	181,278
Hazardous waste fees and reimbursements	-	-	-	70,441	-	70,441
Waste management fees	-	275,002	170,316	64,412	-	509,730
Total operating revenues	<u>2,227,166</u>	<u>456,280</u>	<u>185,933</u>	<u>134,853</u>	<u>-</u>	<u>3,004,232</u>
Operating expenses						
Salaries	278,511	136,055	163,030	63,633	209,690	850,919
Payroll taxes	39,201	17,942	24,207	7,976	29,138	118,464
Employee benefits	75,209	56,222	50,864	13,299	50,784	246,378
Workers' compensation insurance	12,689	5,927	8,512	2,979	688	30,795
Safety	3,359	2,240	1,447	716	992	8,754
Inspection and regulatory assistance	64,691	-	-	-	-	64,691
Garbage and drop-off collection	1,015	3,681	15,702	-	-	20,398
Wood grinding and tire disposal	14,014	-	-	-	-	14,014
Leachate control and well sampling	246,853	-	-	-	-	246,853
Repairs and maintenance	206,692	33,649	11,095	-	-	251,436
Utilities	26,349	20,418	-	4,782	-	51,549
Telephone	-	-	895	2,253	5,175	8,323
Insurance	-	-	-	1,988	34,482	36,470
Supplies	176,481	11,051	8,782	5,919	13,065	215,298
Advertising and public education	-	-	-	4,556	24,074	28,630
Equipment and equipment rent	32,527	601	-	450	-	33,578
Contract service	27,998	-	20,990	16,150	39,129	104,267
DNR tonnage fees	94,740	-	-	-	-	94,740
Shipping	-	2,405	-	-	-	2,405
Travel and training	574	-	-	4,541	9,348	14,463
Sales tax	1,967	-	-	-	-	1,967
Recycling rebates	-	18,693	-	-	-	18,693
Depreciation	503,529	99,031	20,646	15,958	2,645	641,809
Landfill closure and postclosure	34,012	-	-	-	-	34,012
Change in closure and postclosure care estimate	135,869	-	-	-	-	135,869
Total operating expenses	<u>1,976,280</u>	<u>407,915</u>	<u>326,170</u>	<u>145,200</u>	<u>419,210</u>	<u>3,274,775</u>
Operating income (deficit)	<u>\$ 250,886</u>	<u>\$ 48,365</u>	<u>\$ (140,237)</u>	<u>\$ (10,347)</u>	<u>\$ (419,210)</u>	(270,543)
Non-operating revenues (expenses)						
Investment return						124,189
Investment return restricted for closure and postclosure care						72,665
Interest expense						(121,273)
'Recycled 2 You' net retail sales						(84)
Miscellaneous income						<u>47,299</u>
Change in net assets						<u>\$ (147,747)</u>



214 North Fourth Street PO Box 547 Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

**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***

Commission Members
Des Moines County Regional Solid Waste Commission
Burlington, Iowa

We have audited the accompanying financial statements of the Des Moines County Regional Solid Waste Commission (Commission), as of and for the year ended June 30, 2009, and have issued our report thereon dated October 1, 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 Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the accompanying Schedule of Findings, we believe items A and B are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the Commission's financial statements. 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 Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Commission and other parties to whom Des Moines County Regional Solid Waste Commission may report, including federal and state awarding agencies. 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 Des Moines County Regional Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

October 1, 2009

Des Moines County Regional Solid Waste Commission
Schedule of Findings
Year Ended June 30, 2009

Findings Related to the Financial Statements:

Significant Deficiencies:

- (A) Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. One person has control of all general ledger functions; collecting, journalizing and posting of some receipts; bank reconciliations; and investment transactions.

Recommendation - We realize that with a limited number of employees, segregation of duties is difficult. 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 - Due to the limited number of office employees, segregation of duties is very difficult; however, it is our policy to have the manager review cash receipts, posting, and payroll on a test basis and bank reconciliations monthly. In addition, all cash disbursements require a second signature and are reviewed and approved by the Commission.

Conclusion - Response accepted.

- (B) Financial Reporting - During the audit, we identified proposed material adjustments to capital expenditures, depreciation expense, and loans payable. Adjustments were subsequently made by the Commission to properly report these amounts in the financial statements.

Recommendation - The Commission should implement procedures to ensure that capital asset additions, depreciation expense, and loan transactions are identified, measured and properly reported in the Commission's financial statements.

Response - We will work to strengthen our year-end financial statement closing procedures.

Conclusion - Response accepted.

Other Findings Related to Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.
- (2) Questionable Expenses - 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.
- (3) Travel Expense - No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.

**Des Moines County Regional Solid Waste Commission
Schedule of Findings
Year Ended June 30, 2009**

Other Findings Related to Statutory Reporting: (continued):

- (4) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.

Several instances were noted in which a summary of Commission proceedings was not submitted to the newspaper to be published within twenty days following adjournment of the meeting as required by Chapter 28E.6 of the Code of Iowa.

Recommendation – The Commission should comply with Chapter 28E.6 of the Code of Iowa by publishing minutes within the required time period.

Response – We will comply with the Code requirements to publish minutes within the required time period.

Conclusion – Response accepted.

- (5) 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 Commission's investment policy were noted.
- (6) Solid Waste Fees Retained - No instances of non-compliance with the solid waste fees used or retained in accordance with Chapter 455B.310 of the Code of Iowa were noted.
- (7) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs through the application of tests required under the local government financial test mechanism prescribed in Environmental Protection Commission Chapter 567-113.14(6)(f) of the Iowa Administrative Code and through funding the local government dedicated fund at the level prescribed in Environmental Protection Commission Chapter 567-113.14(6)(i) of the Iowa Administrative Code. All components of the local government financial test mechanism were met for the year ended June 30, 2009. The calculation is made as follows:

Local government dedicated fund:	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 1,571,900	\$ 1,058,849
Less: amount Commission had restricted and reserved for closure and postclosure care at July 31, 2008 (unaudited)	(627,122)	(430,764)
Less: closure and postclosure care cost estimates being assured by a letter of credit = \$144,000	<u>(85,392)</u>	<u>(58,608)</u>
Closure and postclosure care cost estimates being assured by the local government financial test mechanism = \$1,428,863, which does not exceed the limit of \$1,429,512.	<u>\$ 859,386</u>	<u>\$ 569,477</u>

Calculation of local government financial mechanism test limit:

Annual revenue for year ended June 30, 2008	\$ 3,324,446
Average revenue multiplied by 43%, the limit of closure and postclosure care costs that may be assured under the local government test mechanism	\$ 1,429,512