

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

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

June 30, 2009 and 2008

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

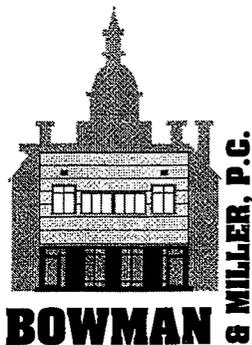
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**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Bob Schubert	Chairperson	City of Marshalltown
Dale Thompson	Vice-Chairperson	City of Ferguson
Pat Hemming	Member	City of Albion
Bruce Reisinger	Member	City of Clemons
Allan Graham	Member	City of Collins
Eldon Stanley	Member	City of Gilman
Bill Roads	Member	City of Haverhill
Steven Eibs	Member	City of Laurel
Cheryl Culver	Member	City of Legrand
John Vry	Member	City of Liscomb
Dennis Grabenbauer	Member	Marshall County
Mike McCann	Member	Marshall County
Marla Grabenbauer	Member	City of Marshalltown
Robert Forbes	Member	City of Marshalltown
Joy Sievers	Member	City of Marshalltown
John Cooper	Member	City of Marshalltown
Stanley Randall	Member	City of Melbourne
James Perin	Member	City of Rhodes
Bruce Arnold	Member	City of St. Anthony
Harland Quick	Member	City of State Center
Gary Lepley	Member	City of Whitten
Joe Robertson	Secretary-Treasurer/Superintendent	



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Board Members of Solid Waste Management Commission
of Marshall County:

We have audited the accompanying financial statements of Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Management Commission of Marshall County at June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated October 6, 2009 on our consideration of the Solid Waste Management Commission of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted 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.

Bowman & Miller, P.C.

September 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Solid Waste Management Commission of Marshall County (the "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 years ending June 30, 2009 and 2008. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues increased 2%, or \$43,067, from fiscal 2008 to fiscal 2009. Gate fees and other operating revenues increased. County and City assessments remained constant.
- ◆ The Commission's operating expenses were 31%, or \$542,084, more in fiscal 2009 than in fiscal 2008.
- ◆ The Commission's net assets decreased .01%, or \$8,624, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The Solid Waste Management Commission of Marshall County is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Solid Waste Management Commission of Marshall County'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 Statements of Net Assets present 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 Statements of Revenues, Expenses and Changes in Nets Assets are the basic statements of activities for proprietary funds. These statements present 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 Statements of Cash Flows present 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

Statements 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 at the end of fiscal 2009 totaled approximately \$7,205,800. This compares to approximately \$7,312,600 at the end of fiscal 2008. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	2009	2008
Current assets	\$ 791,485	967,245
Restricted investments	2,736,860	2,497,210
Noncurrent assets	2,083,651	1,856,570
Capital assets at cost, less accumulated depreciation	3,001,541	2,825,116
Total assets	<u>8,613,537</u>	<u>8,146,141</u>
Current liabilities	108,257	110,402
Noncurrent liabilities	1,192,722	714,557
Total liabilities	<u>1,300,979</u>	<u>824,959</u>
Net assets:		
Invested in capital assets	3,001,541	2,825,116
Restricted	3,207,257	2,497,210
Unrestricted	1,103,760	1,998,856
Total net assets	<u>\$ 7,312,558</u>	<u>7,321,182</u>

The largest portion of the Commission's net assets (41%) is invested in capital assets (e.g., land, buildings and equipment). The restricted portion of the Commission's net assets (44%) is for closure and postclosure care, park development, and financial assurance to be able to fund the closure, postclosure, and corrective action costs. 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 (15%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

Statements of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues include interest income. 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,

	Changes in Net Assets	
	Year ended June 30,	
	2009	2008
Operating revenues:		
Gate fees	\$ 1,954,494	1,913,836
County and city assessments	159,880	159,880
Other operating revenues	4,762	2,353
Total operating revenues	<u>2,119,136</u>	<u>2,076,069</u>
Operating expenses:		
Salaries	347,200	329,652
Employee benefits	99,973	89,370
Machinery maintenance, labor and parts	61,494	93,846
Oil and gas	108,720	99,069
Long range planning and engineering	23,291	55,358
Site maintenance	96,006	118,272
Site utilities	18,414	15,365
Equipment rent	2,029	3,355
Office expenses	14,558	10,639
Training and travel	2,615	2,564
Public education	26,926	29,274
Legal and accounting	18,438	16,999
Insurance	53,608	48,955
Closure and postclosure care costs	478,164	96,019
Planning and recycling expense	204,489	93,315
Iowa Department of Natural Resources tonnage fees	113,825	110,788
Depreciation	551,255	470,131
Non-capitalized equipment	14,203	9,247
Payroll taxes	26,017	26,300
Commission expense	1,301	1,557
Retirement expense	20,320	19,532
Miscellaneous	6,934	8,089
Total operating expenses	<u>2,289,780</u>	<u>1,747,696</u>
Operating income (loss)	(170,644)	328,373
Non-operating revenues (expenses):		
Interest income	<u>162,020</u>	<u>215,858</u>
Change in net assets	(8,624)	544,231
Net assets beginning of year	<u>7,321,182</u>	<u>6,776,951</u>
Net assets end of year	<u>\$ 7,312,558</u>	<u>7,321,182</u>

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

The Statement of Revenues, Expenses and Changes in Net Assets reflects a slightly negative year with no increase in net assets at the end of the fiscal year.

In fiscal 2009, operating revenues increased by \$43,067 or 2%, primarily a result of gate fees increasing by approximately \$40,658 due to an increase in the volume of collections. Operating expenses increased by \$542,084, or 31%. The increase was primarily a result of planning and recycling expense and closure and post closure costs increasing by approximately \$111,000 and \$382,000, respectively.

Statements of Cash Flows

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

CAPITAL ASSETS

At June 30, 2009, the Commission had approximately \$2.9 million invested in capital assets, net of accumulated depreciation of approximately \$6.0 million. Depreciation charges totaled \$551,255 and \$470,131 for years ending June 30, 2009 and 2008, respectively. More detailed information about the Commission’s capital assets is presented in Note 4 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2009, the Commission had \$1,192,721 in long-term liabilities, an increase of \$714,557 from 2008. The table below summarizes outstanding the long-term liabilities by type.

	June 30,	
	2009	2008
Closure and postclosure care cost	\$ <u>1,192,721</u>	<u>714,557</u>

Additional information about the Commission’s long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

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

- ◆ Facilities owned by the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- ◆ Volatility of the recyclables markets and the effect on net processing cost and product throughput volume.
- ◆ Federal and State solid waste legislation and rule revisions and their effect on our current operating costs and long-term closure and postclosure care costs and a dedicated restricted fund to pay for closure and postclosure and corrective costs.
- ◆ New Federal and State mandates require monitoring and control of greenhouse gases.
- ◆ The effect of increasing fuel and energy costs on operations.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission’s ability to react to known and unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Solid Waste Management Commission of Marshall County, 2313 Marshalltown Boulevard, Marshalltown, Iowa.

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Statements of Net Assets
June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash	\$ 590,281	760,728
Accounts receivable	148,911	166,110
Prepaid insurance	14,792	16,452
Interest receivable	37,501	23,955
Total current assets	<u>791,485</u>	<u>967,245</u>
Noncurrent assets:		
Restricted investments	2,736,860	2,497,210
Certificates of deposit	2,083,651	1,856,570
Capital assets (net of accumulated depreciation)	3,001,541	2,825,116
Total noncurrent assets	<u>7,822,052</u>	<u>7,178,896</u>
Total assets	<u>8,613,537</u>	<u>8,146,141</u>
Liabilities		
Current liabilities:		
Accounts payable	51,215	47,164
Accrued liabilities	29,425	31,746
Salaries and benefits payable	27,617	31,492
Total current liabilities	<u>108,257</u>	<u>110,402</u>
Non-current liabilities:		
Landfill closure and postclosure care costs	1,192,722	714,557
Total non-current liabilities	<u>1,192,722</u>	<u>714,557</u>
Total liabilities	<u>1,300,979</u>	<u>824,959</u>
Net assets:		
Invested in capital assets	3,001,541	2,825,116
Restricted for:		
Park development and maintenance	60,478	59,235
Closure and postclosure care	2,676,382	2,437,975
Financial assurance dedicated fund	470,397	-
Unrestricted	<u>1,103,760</u>	<u>1,998,856</u>
Total net assets	<u>\$ 7,312,558</u>	<u>7,321,182</u>

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**
**Statements of Revenues, Expenses and
Changes in Net Assets**
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Gate fees	\$ 1,954,494	1,913,836
County and city assessments	159,880	159,880
Other operating revenues	4,762	2,353
Total operating revenues	<u>2,119,136</u>	<u>2,076,069</u>
Operating expenses:		
Salaries	347,200	329,652
Employee benefits	99,973	89,370
Machinery maintenance, labor and parts	61,494	93,846
Oil and gas	108,720	99,069
Long range planning and engineering	23,291	55,358
Site maintenance	96,006	118,272
Site utilities	18,414	15,365
Equipment rent	2,029	3,355
Office expenses	14,558	10,639
Training and travel	2,615	2,564
Public education	26,926	29,274
Legal and accounting	18,438	16,999
Insurance	53,608	48,955
Closure and postclosure care costs	478,164	96,019
Planning and recycling expense	204,489	93,315
Iowa Department of Natural Resources tonnage fees	113,825	110,788
Depreciation	551,255	470,131
Non-capitalized equipment	14,203	9,247
Payroll taxes	26,017	26,300
Commission expense	1,301	1,557
Retirement expense	20,320	19,532
Miscellaneous	6,934	8,089
Total operating expenses	<u>2,289,780</u>	<u>1,747,696</u>
Operating income	(170,644)	328,373
Non-operating revenues (expenses):		
Interest income	<u>162,020</u>	<u>215,858</u>
Change in net assets	(8,624)	544,231
Net assets beginning of year	<u>7,321,182</u>	<u>6,776,951</u>
Net assets end of year	<u>\$ 7,312,558</u>	<u>7,321,182</u>

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Statements of Cash Flows
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 1,971,693	1,883,820
Cash received from assessments	159,880	159,880
Cash received from other operating receipts	4,762	2,353
Cash payments to suppliers for goods and services	(823,343)	(746,175)
Cash payments to employees for services	(451,048)	(415,441)
Net cash provided by operating activities	<u>861,944</u>	<u>884,437</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(727,680)	(712,968)
Disposal of capital assets	-	-
Net cash (used) by capital and related financing activities	<u>(727,680)</u>	<u>(712,968)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(466,731)	(381,336)
Interest received	162,020	215,858
Net cash (used) by investing activities	<u>(304,711)</u>	<u>(165,478)</u>
Net (decrease) increase in cash and cash equivalents	(170,447)	5,991
Cash and cash equivalents beginning of year	<u>760,728</u>	<u>754,737</u>
Cash and cash equivalents end of year	<u>\$ 590,281</u>	<u>760,728</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (170,644)	<u>328,373</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	551,255	470,131
Closure and postclosure costs	478,164	96,019
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	17,199	(30,016)
(Increase) decrease in prepaid items	1,660	5,307
(Increase) decrease in interest receivable	(13,546)	(7,228)
(Decrease) increase in accounts payable	4,051	16,133
(Decrease) increase in accrued liabilities	(2,321)	2,137
(Decrease) increase in salaries and benefits payable	(3,875)	3,581
Total adjustments	<u>1,032,587</u>	<u>556,064</u>
Net cash provided by operating activities	<u>\$ 861,943</u>	<u>884,437</u>

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements June 30, 2009 and 2008

(1) Summary of Significant Accounting Policies

Solid Waste Management Commission of Marshall County ("the Commission") was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain a solid waste facility in Marshall County on behalf of the units of government that are members of the Commission and for use by all residents of the County.

The Commission is composed of at least one representative from each of the sixteen member municipalities, except that Marshalltown shall have at least two voting representatives. The member municipalities are: Albion, Clemons, Collins, Ferguson, Gilman, Haverhill, Laurel, LeGrand, Liscomb, Marshall County, Marshalltown, Melbourne, Rhodes, St. Anthony, State Center and Whitten. Each member shall be entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

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

A. Reporting Entity

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

B. Basis of Presentation

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

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2009 and 2008**

(1) **Summary of Significant Accounting Policies (Continued)**

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities and Net Investments

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

Cash, Investments 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 and 2008 include certificates of deposit of \$4,820,511 and \$4,353,780, respectively.

Accounts Receivable – Accounts receivable represent amounts billed for waste disposal services at June 30, 2009 and 2008. Because of the Commission's policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded.

Restricted Investments – Funds set aside for payment of closure and post closure care costs and financial assurance for unfunded costs are classified as restricted. In addition, funds have been set aside for the development of a county park upon closure of the landfill.

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2009 and 2008**

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Investments (Continued)

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.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of \$5,000. Capital assets of the Commission are depreciated using the straight-line method over the estimated useful lives of the assets. Buildings are amortized over thirty years, land improvements over fifteen years, the leachate system over thirty years and equipment is depreciated over a five to ten year life.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2009 and 2008.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused sick and vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated sick and vacation hours has been computed based on rates of pay in effect at June 30, 2009 and 2008.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2009 and 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

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

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2009 and 2008**

(3) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$20,363, \$19,532 and \$19,776, respectively, equal to the required contributions for each year.

(4) Property and Equipment

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	\$ 750,944	-	-	750,944
Capital assets being depreciated:				
Land development costs	4,787,398	116,519	-	4,903,917
Buildings	255,016	-	-	255,016
Equipment and vehicles	2,974,037	418,148	640,099	2,752,086
Leachate system	521,751	192,731	-	714,482
Total capital assets being depreciated	8,538,202	727,398	640,099	8,625,501
Less accumulated depreciation for:				
Land development costs	3,899,747	243,511	-	4,143,258
Buildings	203,306	8,444	-	211,750
Equipment and vehicles	2,098,573	277,625	640,099	1,736,099
Leachate system	262,122	21,675	-	283,797
Total accumulated depreciation	6,463,748	551,255	640,099	6,374,904
Total capital assets being depreciated, net	2,074,454	176,143	-	2,250,597
Total capital assets, net	\$ 2,825,398	176,143	-	3,001,541

(5) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and 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

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2009 and 2008**

(5) Closure and Postclosure Care Costs (Continued)

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.

Governmental Accounting Standards Board 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 for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Solid Waste Management Commission of Marshall County have been estimated at \$2,357,300 for closure and \$1,381,500 for postclosure, for a total of \$3,738,800 as of June 30, 2009, and the portion of the liability that has been recognized is \$1,192,721. 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 estimated remaining life of the landfill is seventy to eighty years and the capacity used at June 30, 2009 is 31 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2009, assets of \$2,676,382 are held for these purposes. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund as an additional funding mechanism. Chapter 576-113.14(6) of the IAC requires a dedicated fund that is restricted to pay for closure, post closure or corrective action costs. The amount of funds restricted for the year ended June 31, 2009 is \$470,397.

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements (Continued) June 30, 2009 and 2008

(6) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2009 and 2008, the Commission had no unspent amounts retained and restricted for the required purposes.

(7) Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool ("the Pool") is a local government risk-sharing pool whose nearly 560 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 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. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured.

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 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

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Notes to Financial Statements (Continued)
June 30, 2009 and 2008**

(7) Risk Management (Continued)

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

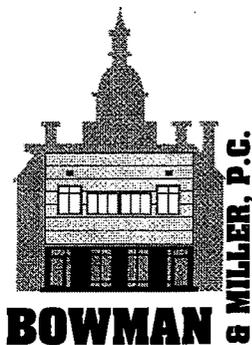
The Commission's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contribution to the Pool for the years ended June 30, 2009 and 2008 was \$15,448 and \$15,989, respectively.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with property and casualty and automobile insurance. The Commission 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.

(8) Recyclable Materials Processing and Public Education Agreements

The Commission entered into a recycling agreement with MIW, Inc. (the Company). The agreement is for the purpose of reducing the amount of tonnage entering the Commission's landfill operation and provides for payment of an amount per ton for the processing of recyclables at a processing facility maintained by the Company. The agreement is for a period of six years beginning January 1, 2004 and the formula used to calculate the processing fee will be reviewed every two years. The amount paid to the Company for the years ending June 30, 2009 and 2008 was \$144,326 and \$28,926, respectively.

The Commission has also entered into an agreement with Iowa Valley Community College District (IVCCD) to provide financial support for a part-time position whose purpose is to provide waste and recycling education in the Commission's service area. The agreement was for the period July 1, 2005 through June 30, 2008 at a beginning annual rate of \$20,500 and allowed for increases of 3% per year. The Commission has renewed the agreement for the period July 1, 2008 through June 30, 2010 at an annual rate of \$22,400 with 3% annual increases.



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

To the Members of Solid Waste Management Commission
of Marshall County:

We have audited the accompanying financial statements of Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated October 6, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Solid Waste Management Commission of Marshall County'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 Solid Waste Management Commission of Marshall County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Solid Waste Management Commission of Marshall County'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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solid Waste Management Commission of Marshall County'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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the years ended June 30, 2009 and 2008 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Commission. Since our audits were 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.

Solid Waste Management Commission of Marshall County'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 Solid Waste Management Commission of Marshall County'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 Solid Waste Management Commission of Marshall County and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Solid Waste Management Commission of Marshall County 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.

Bowman and Miller, P.C.

September 28, 2009

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Schedule of Findings
Years Ended June 30, 2007 and 2006**

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, which are incompatible. Due to a limited number of personnel performing accounting functions, the Commission does not have adequate segregation of duties over accounting transactions. As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

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

Response – Due to the limited number of office employees, segregation of duties is very difficult. We will consider ways to mitigate the lack of segregation of duties wherever possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Statutory Reporting:

- (1) Questionable Expenses – No expense 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 expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Commission's minutes but were not.
- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (6) Solid Waste Tonnage Fees Retained – During the years ended June 30, 2009 and 2008, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

**Schedule of Findings (Continued)
Years Ended June 30, 2009 and 2008**

- (7) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 3,738,800
Less: Balance of funds held in the local dedicated fund at June 30, 2008	<u>(2,437,975)</u>
	1,300,825
Divided by the number of years remaining in the pay-in period	÷ <u>1</u>
Required payment into the local dedicated fund for the year ended June 30, 2009	\$ 1,300,825
Balance of funds held in the local dedicated fund at June 30, 2008	<u>2,437,975</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2009	\$ <u>3,738,800</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2009	\$ <u>2,676,382</u>

**SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY**

Audit Staff

This audit was performed by:

BOWMAN & MILLER, P.C.
Certified Public Accountants
Marshalltown, Iowa

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