

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

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

June 30, 2009

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

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MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Officials

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



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TD & T Financial Group, P.C.

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Cedar Rapids
Centerville
Fairfield
Mt. Pleasant
Ottumwa
Pella
Sigourney

Independent Auditors' Report

To the Members of Mahaska County Solid
Waste Management Commission

We have audited the accompanying basic financial statements of Mahaska County Solid Waste Management Commission as of and for the year ended June 30, 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.

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 statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mahaska County Solid Waste Management Commission at June 30, 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 September 3, 2009 on our consideration of Mahaska County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

T&T Financial Group, P.C.

Oskaloosa, Iowa
September 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mahaska County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 14%, or \$151,319, from fiscal 2008 to fiscal 2009. Gate fees decreased.
- The Commission's operating expenses were 2%, or \$18,108, more in fiscal 2009 than in fiscal 2008.
- The Commission's net assets increased less than 1%, or \$33,818, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

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

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

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

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2009 totaled approximately \$5,802,000. This compares to approximately \$5,768,000 for fiscal 2008. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	<u>2009</u>	<u>2008</u>
Current assets	\$ 4,011,546	4,029,500
Restricted investments	1,459,483	1,394,905
Capital assets at cost, less accumulated depreciation	<u>1,029,344</u>	<u>1,003,794</u>
Total assets	<u>6,500,373</u>	<u>6,428,199</u>
Current liabilities	97,657	79,416
Non-current liabilities	<u>600,562</u>	<u>580,447</u>
Total liabilities	<u>698,219</u>	<u>659,863</u>
Net assets:		
Invested in capital assets	1,029,344	1,003,794
Restricted	1,459,483	1,394,905
Unrestricted	<u>3,313,327</u>	<u>3,369,637</u>
Total net assets	\$ <u>5,802,154</u>	<u>5,768,336</u>

A portion of the Commission's net assets (25%) is restricted for closure and post closure care. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (18%, e.g., land, buildings and equipment) are resources allocated to capital assets. The remaining net assets (57%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for interest income and unrealized gain on investment. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2009 is presented below:

Changes in Net Assets		
	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating revenue:		
Gate fees	\$ 902,982	1,049,254
Other operating revenues	<u>3,435</u>	<u>8,482</u>
Total operating revenue	<u>906,417</u>	<u>1,057,736</u>
Operating expenses:		
Salaries	229,074	228,161
Employee benefits	76,970	72,765
Machinery maintenance, labor and parts	48,127	62,170
Oil and gas	85,245	88,403
Long range planning and engineering	118,237	30,580
Site maintenance	80,085	111,993
Site utilities	4,352	6,708
Office expense	3,849	3,608
Legal and accounting	7,320	7,850
Insurance	14,461	16,717
Closure and post closure care costs	20,115	74,016
Planning and recycling expenses	51,756	51,756
Iowa Department of Natural Resources tonnage fees	128,120	100,175
Depreciation	168,000	162,800
Miscellaneous	<u>4,049</u>	<u>3,950</u>
Total operating expenses	<u>1,039,760</u>	<u>1,021,652</u>
Operating income (loss)	<u>(133,343)</u>	<u>36,084</u>
Non-operating revenues (expenses):		
Interest income	202,611	217,345
Unrealized gain (loss) on investment	-	2,082
Gain (loss) on disposition of property and equipment	<u>(35,450)</u>	<u>6,938</u>
Net non-operating revenue	<u>167,161</u>	<u>226,365</u>
Change in net assets	33,818	262,449
Net assets beginning of year	<u>5,768,336</u>	<u>5,505,887</u>
Net assets end of year	\$ <u>5,802,154</u>	<u>5,768,336</u>

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

In fiscal 2009, operating revenues decreased by \$151,319 or 14%, primarily a result of a decrease in special waste tonnage. Operating expenses increased by \$18,108, or 2%.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used by investing activities includes purchase of certificates of deposits and property and equipment.

CAPITAL ASSETS

At June 30, 2009, the Commission had approximately \$2,142,000 invested in capital assets, net of accumulated depreciation of approximately \$1,113,000. Depreciation charges totaled \$168,000 for fiscal 2009. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

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

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

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mahaska County Solid Waste Management Commission, 2979 Highway 63, Oskaloosa, Iowa.

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Statement of Net Assets
June 30, 2009**

Assets

Current assets:

Cash	\$ 144,113
Investments	3,706,159
Accounts receivable, less allowance for doubtful accounts of \$2,556	112,766
Accrued interest receivable	48,508
Total current assets	<u>4,011,546</u>

Restricted assets:

Investments	1,459,483
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Capital assets, net of \$1,113,092 accumulated depreciation

1,029,344

Total assets

<u>6,500,373</u>

Liabilities

Current liabilities:

Accounts payable	71,955
Accrued compensated absences	21,361
Other payables	4,341
Total current liabilities	<u>97,657</u>

Non-current liabilities:

Estimated liability for landfill closure and post closure care costs	600,562
Total liabilities	<u>698,219</u>

Net assets

Restricted for:

Closure	174,743
Post closure care	1,284,740
Unrestricted	3,313,327
Invested in capital assets	<u>1,029,344</u>

Total net assets

\$ <u>5,802,154</u>

See accompanying notes to financial statements.

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009**

Operating revenues:	
Gate fees	\$ 902,982
Finance charges	3,415
Other operating revenues	20
Total operating revenues	<u>906,417</u>
Operating expenses:	
Salaries	229,074
Employee benefits	76,970
Machinery maintenance, labor and parts	48,127
Oil and gas	85,245
Long range planning and engineering	118,237
Site maintenance	80,085
Site utilities	4,352
Office expenses	3,849
Legal and accounting	7,320
Insurance	14,461
Closure and post closure care costs	20,115
Planning and recycling expenses	51,756
Iowa Department of Natural Resources tonnage fees	128,120
Depreciation	168,000
Miscellaneous	4,049
Total operating expenses	<u>1,039,760</u>
Operating loss	<u>(133,343)</u>
Non-operating revenues (expenses):	
Interest income	202,611
Loss on trade of property and equipment	(35,450)
Net non-operating revenues	<u>167,161</u>
Change in net assets	33,818
Net assets, beginning of year	<u>5,768,336</u>
Net assets, end of year	<u>\$ 5,802,154</u>

See accompanying notes to financial statements.

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Statement of Cash Flows
For the Year Ended June 30, 2009**

Cash flows from operating activities:	
Cash received from gate fees	\$ 860,188
Cash received from finance charges	3,415
Cash received from other operating receipts	20
Cash payments to suppliers for goods and services	(603,863)
Cash payments to employees for services	(229,074)
Net cash provided (used) by operating activities	<u>30,686</u>
Cash flows from investing activities:	
Redemption of certificates of deposit	150,000
Purchase of property and equipment	(229,000)
Net cash provided (used) by investing activities	<u>(79,000)</u>
Net increase (decrease) in cash and cash equivalents	(48,314)
Cash and cash equivalents at beginning of year	<u>192,427</u>
Cash and cash equivalents at end of year	<u>\$ 144,113</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:	
Operating loss	\$ <u>(133,343)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	168,000
Closure and post closure costs	20,115
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(42,327)
Increase (decrease) in payables	18,241
Total adjustments	<u>164,029</u>
Net cash provided (used) by operating activities	<u>\$ 30,686</u>

See accompanying notes to financial statements.

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2009

Note 1 – Summary of Significant Accounting Policies

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

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

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 (GASB).

A. Reporting Entity

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

B. Basis of Presentation

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

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MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements (Continued) June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities and Net Investments

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

Cash and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, they have an original maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 included certificates of deposit of \$3,706,159.

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

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

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MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements (Continued) June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Investments (Continued)

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

Capital Assets – Capital assets are accounted for at historical cost or estimated historical cost where historical cost is not available. Capital assets are defined by the Commission as assets with initial, individual costs in excess of \$5,000. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and lease improvements are amortized over 20-39 years and equipment is depreciated over a 5-7 year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

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

Compensated Absences – Commission employees accumulated a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2009, which was \$14,071 and the Commission's share of applicable IPERS was \$894 and FICA/Medicare was \$1,076.

Commission employees are compensated at December 31, for unused, accumulated sick days in excess of 80 days, not to exceed 12 days. The Commission's liability for the excess accumulated sick leave has been computed based on rates of pay in effect at June 30, 2009, which was \$842 and the Commission's share of applicable IPERS was \$54 and FICA/Medicare was \$64.

These amounts have been reflected as a liability.

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements (Continued) June 30, 2009

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 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 or Financial Accounting Standards Board Statement No. 157.

Note 3 – Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% for the year ended June 30, 2009 and 3.90% for the years ended June 30, 2008 of their annual covered salary and the Commission is required to contribute 6.35% for the year ended June 30, 2009 and 6.05% for the years ended June 30, 2008 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 \$13,514, \$12,823, and \$12,823, respectively, equal to the required contributions for each year.

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

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

Note 4 – Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land and improvements	\$ <u>82,200</u>	<u>-</u>	<u>-</u>	<u>82,200</u>
Capital assets being depreciated:				
Buildings	198,089	-	-	198,089
Equipment and vehicles	<u>1,738,597</u>	<u>333,550</u>	<u>210,000</u>	<u>1,862,147</u>
Total capital assets being depreciated	<u>1,936,686</u>	<u>333,550</u>	<u>210,000</u>	<u>2,060,236</u>
Less accumulated depreciation for:				
Buildings	105,216	4,394	-	109,610
Equipment and vehicles	<u>909,876</u>	<u>163,606</u>	<u>70,000</u>	<u>1,003,482</u>
Total accumulated depreciation	<u>1,015,092</u>	<u>168,000</u>	<u>70,000</u>	<u>1,113,092</u>
Total capital assets being depreciated, net	<u>921,594</u>	<u>165,550</u>	<u>140,000</u>	<u>947,144</u>
Total capital assets, net	\$ <u>1,003,794</u>	<u>165,550</u>	<u>140,000</u>	<u>1,029,344</u>

Note 5 – Closure and Post Closure Care Costs

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

(continued)

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements (Continued) June 30, 2009

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

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

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

The total costs for Mahaska County Solid Waste Management Commission have been estimated at \$144,584 for closure and \$1,063,005 for post closure for a total of \$1,207,589 as of June 30, 2009, and the portion of the liability that has been recognized is \$600,562. These amounts are based on what it would cost to perform all closure and post closure 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 approximately 30 years and the capacity used at June 30, 2009 is 50 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post closure care accounts to accumulate resources for the payment of closure and post closure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2009, assets of \$1,459,483 are restricted for these purposes of which \$174,743 is for closure and \$1,284,740 is for post closure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism.

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and post closure care account requirements. Accordingly, the landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements (Continued) June 30, 2009

Note 6 – Solid Waste Tonnage Fees Retained

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

As of June 30, 2009, there were no unspent amounts retained by the Commission and restricted for the required purposes.

Note 7 – Local Government Risk Pool

Mahaska County Solid Waste Management Commission has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool. The pool was formed July 1, 1987 to provide worker's compensation and property/casualty insurance to counties in the State of Iowa. At present, ten counties are members of the pool. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost. There have been no reductions in insurance coverage from prior years.

Each member is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member county against any person or other entity legally responsible for damages for said loss, and in such event, the member is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the premiums on the insurance policies when due; to pay claims in accordance with the various coverages and to make other payments as required by applicable law; to establish and accumulate a reserve or reserves which are deemed advisable or required by law to carry out the purpose of the risk pool; and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2009 which covers exposure of specific losses in excess of \$350,000 per occurrence up to a maximum of \$7,000,000 per occurrence, including the retention of the pool, for general and automobile liability. The workman's compensation policy obtained for the year ended June 30, 2009 covered exposures of \$350,000, up to the above stated maximum including retention of the pool. The coverage for workman's compensation was statutory. The risk pool fund records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2009, 2008, and 2007 the risk pool fund reported a surplus of pool assets over liabilities.

(continued)

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements (Continued) June 30, 2009

Note 7 – Local Government Risk Pool (Continued)

Members retain the risk of claims, if any, exceeding maximum reinsurance coverage and the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member in addition to the premium contributions. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the pool for the year ended June 30, 2009 were \$25,214. Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member may withdraw at the end of any given fiscal year.

Note 8 – Major Customer

The Commission received 56% of its operating receipts from one company during the year ended June 30, 2009. The same company has receivables amounting to 62% of all accounts receivable as of June 30, 2009.

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Independent Auditors' Report on Internal Control
Schedule of Findings**

June 30, 2009



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

To the Members of Mahaska County Solid
Waste Management Commission:

We have audited the accompanying financial statements of Mahaska County Solid Waste Management Commission as of and for the year ended June 30, 2009, and have issued our report thereon dated September 3, 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 Mahaska County Solid Waste Management Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Mahaska County Solid Waste Management Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahaska County Solid Waste Management Commission's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 1, 2 and 3 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

TD&T Financial Group, P.C.

Oskaloosa, Iowa
September 3, 2009

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings Year Ended June 30, 2009

Findings Related to the Financial Statements:

Material Weaknesses:

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

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

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

Conclusion – Response accepted.

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

Recommendation – The Commission should record investment income on the trust account as well as the estimated current year closure and post closure care costs. The Commission should record DNR fees as an expense rather than as a reduction of revenue.

Response – We will record these items in the future.

Conclusion – Response accepted.

(continued)

MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION

Schedule of Findings (Continued)
Year Ended June 30, 2009

Findings Related to the Financial Statements (Continued):

Material Weaknesses (Continued):

- 3) Preparation of Financial Statements in Accordance with Accounting Principles Generally Accepted in the United States of America – Internal controls are not in place in order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Recommendation – We recommend that personnel in charge of accounting receive additional training in order to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America.

Response – The Commission is looking into the process.

Conclusion – Response accepted.

Instances of Non-Compliance

No matters were reported

(continued)

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Schedule of Findings (Continued)
Year Ended June 30, 2009**

Other Findings Related to Statutory Reporting:

- (A) Official Depositories – The Commission has adopted a resolution naming official depositories and the depository amount was not exceeded.
- (B) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (C) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (D) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (E) Deposits and Investments – No instance of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted.
- (F) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2009, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (G) Financial Assurance – The Commission has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Post Closure</u>
Total estimated costs for closure and post closure care	\$ 144,584	1,063,005
Less: Balance of funds held in the local dedicated fund at June 30, 2008 plus amount delinquent for prior year	(157,373)	(1,237,532)
	(12,789)	(174,527)
Divided by the number of years remaining in the pay-in period	÷ _____	_____
Required payment into the local dedicated fund for the year ended June 30, 2009	-	-
Balance of funds held in the local dedicated fund at June 30, 2008	\$ <u>157,373</u>	<u>1,237,532</u>
Required balance of funds held in the local dedicated fund at June 30, 2009	\$ <u>144,584</u>	<u>1,063,005</u>
Amount Commission has restricted and reserved for closure and post closure care at June 30, 2009	\$ <u>174,743</u>	<u>1,284,740</u>

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Staff

This audit was performed by:

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