FLOYD – MITCHELL – CHICKASAW
SOLID WASTE MANAGEMENT AGENCY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

SEPTEMBER 30, 2010

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Floyd – Mitchell – Chickasaw
Solid Waste Management Agency
Officials

Name	Title	Representing
Joel Voaklander	Chairperson	Mitchell County
Arlin Enabnit	Vice Chairperson	Floyd County
Arnie Boge	Executive Board Member	Chickasaw County
Robert Clites	Executive Board Member	City of New Hampton
Jerry Dunlay	Executive Board Member	City of Osage
Jerry Joerger	Executive Board Member	City of Charles City
Dennis Johnson	Executive Board Member	City of Carpenter
Deb Ritzman	Executive Board Member	City of Colwell
David Swenumson	Executive Board Member	City of Ionia
Ken Heimendinger	Director	

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

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Certified Public Accountants
625 Main St.
Osage, IA 50461-1307
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Independent Auditor's Report

To the Members of the Floyd – Mitchell – Chickasaw
Solid Waste Management Agency:

We have audited the accompanying financial statement of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2010. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of September 30, 2010, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2010 on our consideration of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the financial statement, 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 required supplementary information. We did not audit the information and express no opinion on it.

Lines Murphy & Company P.L.C.

Lines Murphy & Company, P.L.C.
Certified Public Accountants
Osage, Iowa
October 27, 2010

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Floyd – Mitchell – Chickasaw Solid Waste Management Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency is for the fiscal year ended September 30, 2010. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2010 FINANCIAL HIGHLIGHTS

- Operating receipts increased 2%, or approximately $22,000, from fiscal year 2009 to fiscal year 2010.
- Operating disbursements decreased 1%, or approximately $2,000, from fiscal year 2009 to fiscal year 2010.
- Cash basis net assets increased 6%, or approximately $266,000, from September 30, 2009 to September 30, 2010.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

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

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

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

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

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

Operating receipts are received for gate fees from accepting solid waste. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended September 30, 2010 and September 30, 2009 is as follows:

Changes in Cash Basis Net Assets		
	Year ended September 30,	
	2010	2009
Operating receipts:		
Tipping fees and gate charges	$ 1,124,468	1,093,391
Miscellaneous	955	10,475
Total operating receipts	1,125,423	1,103,866
Operating disbursements:		
Salaries and contract labor	256,053	242,161
Engineering, leachate, inspection, and tonnage fees	91,171	90,263
Closure/postclosure	982	119,815
Other	290,733	188,553
Total operating disbursements	638,939	640,792
Excess of operating receipts over operating disbursements	486,484	463,074
Non-operating receipts (disbursements)		
Interest on investments	149,895	135,220
Farmland rental	28,863	28,413
Gain on sale of equipment	1,502	-
Capital Grants	7,250	1,869
Capital improvements	(407,797)	(89,588)
Net non-operating receipts	(220,287)	75,914
Net change in cash basis net assets	266,197	538,988
Cash basis net assets beginning of year	4,742,220	4,203,232
Cash basis net assets end of year	$ 5,008,417	4,742,220
Cash Basis Net Assets		
Restricted for:		
Closure	$ 535,639	439,403
Postclosure care	1,375,309	1,446,445
Total restricted net assets	1,910,948	1,885,848
Unrestricted	3,097,469	2,856,372
Total cash basis net assets	$ 5,008,417	4,742,220

In fiscal year 2010, operating receipts increased $21,557, or 2%, over fiscal year 2009. The increase was primarily a result of solid waste fees increasing $31,077 due to an increase in customer solid waste disposal. In fiscal year 2010, operating disbursements decreased $1,853, or 1%, below fiscal year 2009. The small decrease in disbursements included increases in equipment repairs and tire disposal offset by a significant decrease in closure costs of the old cell.

A portion of the Agency's net assets, $1,910,948 (38%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets, $3,097,469 (62%), are unrestricted net assets which can be used to meet the Agency's obligations as they come due. Restricted net assets increased $25,100, or 1%, during the year. The increase was due to additional funds set aside for closure and postclosure care. Unrestricted net assets increased $241,097, or 8%, during the year due to an increase in solid waste fees receipts and operating disbursements remaining constant.

LONG-TERM DEBT

At September 30, 2010, the Agency had no long term debt outstanding.

ECONOMIC FACTORS

The financial position of the Agency did not improve in the current fiscal year as construction projects decreased net assets. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities which may potentially become challenges for the Agency to meet are:

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

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

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ken Heimendinger, Director, Floyd – Mitchell – Chickasaw Solid Waste Management Agency, 3354 330th Street, City of Elma, Iowa 50628.

Financial Statement

Floyd – Mitchell Chickasaw
Solid Waste Management Agency

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

Year ended September 30, 2010

Operating receipts:	
Tipping fees and gate charges	$ 1,124,468
Miscellaneous	955
Total operating receipts	1,125,423
Operating disbursements:	
Salaries and benefits	253,486
Iowa Department of Natural Resources tonnage fee	58,499
Engineering services/leachate	3,000
Tire disposal	18,227
Recycling	14,791
Equipment maintenance	98,444
Monitoring and inspection fees	29,672
Gravel	19,493
Professional fees	5,638
Contract labor	2,567
Office equipment and supplies	10,471
Utilities	14,469
Fuel	33,253
Closure/postclosure	982
Insurance	21,765
Miscellaneous	54,182
Total operating disbursements	638,939
Excess of operating receipts over operating disbursements	486,484
Non-operating receipts (disbursements)	
Interest on investments	149,895
Farmland rental	28,863
Gain on sale of equipment	1,502
Capital Grants	7,250
Capital Improvements	(407,797)
Net non-operating receipts	(220,287)
Change in cash basis net assets	266,197
Cash basis net assets beginning of year	4,742,220
Cash basis net assets end of year	$ 5,008,417
Cash Basis Net Assets	
Restricted for:	
Closure	$ 535,639
Postclosure care	1,375,309
Total restricted net assets	1,910,948
Unrestricted	3,097,469
Total cash basis net assets	$ 5,008,417

See notes to financial statement.

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Notes to Financial Statement

June 30, 2010

(1) Summary of Significant Accounting Policies

The Floyd – Mitchell – Chickasaw Solid Waste Management Agency was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities in Floyd, Mitchell and Chickasaw Counties on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each city or county member. The members of the Agency include: the cities of Charles City, Colwell, Floyd, Marble Rock, Rockford, Rudd and Floyd County; the cities of Carpenter, McIntire, Mitchell, Orchard, Osage, Riceville, St. Ansgar, Stacyville and Mitchell County; the cities of Alta Vista, Bassett, Fredericksburg, Ionia, Lawler, Nashua, New Hampton, North Washington and Chickasaw County; and the cities of Chester and Elma. The Agency members are to be elected representatives of each member city or county. Each member of the Agency has one vote for each 1,000 in population or fraction thereof, as determined by the most recent federal census or special federal census. Where the representative is a county, or portion thereof, such population shall be that of the unincorporated portion of the county or that part of the unincorporated portion of the county which is a member of the Agency.

A. Reporting Entity

For financial reporting purposes, the Floyd – Mitchell – Chickasaw Solid Waste Management Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement 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 Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U. S. generally accepted accounting principles.

D. Net Assets

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

(2) Cash and Investments

The Agency's deposits in banks at September 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At September 30, 2010, the Agency had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Federal Home Loan Mortgage Company (FHLMC)	$ 66,305	119,393	July 2018
Federal National Mortgage Association (FNMA)	147,605	261,684	October 2019
	$ 213,910	381,077	

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

Credit risk – The Agency's investments in the FHLMC and FNMA at September 30, 2010 are rated AAA by Moody's Investors Service.

Concentration of credit risk – The Agency places a limit of $3,000,000 that may be invested in any one issuer. The Agency's investments in the FHLMC and FNMA are 1.47 and 3.27 percent of the Agency's total investments, respectively.

(3) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the Agency is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended September 30, 2010, 2009 and 2008 were $12,870, $11,868 and $11,983, respectively, equal to the required contributions for each year.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The Agency operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark through an agreement with Mitchell County. Coverage amounts are remitted to Mitchell County and then are deposited along with amounts for Mitchell County employees. For purposes of medical/prescription drug benefits, employees of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency are considered employees of Mitchell County. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are $480 for single coverage and $1,074 for family coverage. The same monthly premiums apply to retirees. For the year ended September 30, 2010, the Agency contributed $30,206 and plan members eligible for benefits contributed $7,064 to the plan.

(5) Closure and Postclosure Care

To comply with federal and state regulations, the Agency 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 care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

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 year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be $0 for closure and $503,625 for postclosure care of the old cell, for a total of $503,625 as of September 30, 2010. Usage of the old cell ceased in September 2007 and usage of Cell Phase 1 began immediately thereafter. Costs were estimated to be $420,937 for closure and $872,200 for postclosure care of the current cell, for a total of $1,293,137 as of September 30, 2010. Cost estimates are completed annually in March. The estimated remaining life of the current cell in use within the landfill is 3 years, with approximately 57.1 percent of the cell's capacity used at September 30, 2010.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and, at September 30 2010, assets of $1,910,948 are restricted for these purposes, of which $535,639 is for closure and $1,375,309 is for postclosure care. They are reported as restricted cash basis net assets in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

(6) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At September 30, 2010, the Agency had no unspent tonnage fees. Beginning January 1, 2011, the Agency will be required to pay tonnage fees for construction and demolition waste. The Iowa DNR estimates this will raise the Agency's costs by $30,000.

(7) Risk Management

The Agency is a participant in the Heartland Insurance Risk Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk sharing pool whose 10 members and other participants include various governmental entities throughout the State of Iowa. The Pool was formed in July 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers compensation, automobile liability, automobile physical damage and crime policies on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

Each member/participant's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses,

claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property, inland marine, public officials errors and omissions, law enforcement liability and business income and extra expense coverage. Members and participants who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended September 30, 2010 were $25,307. A premium credit was issued in the amount of $4,031 making net contributions $21,276.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of $400,000 up to $1,000,000 per claim. The Pool retains workers compensation risks in excess of $750,000 to statutory limits. All property, inland marine, boiler, public officials errors and omissions, business income and expense and law enforcement liability risks are also reinsured on an individual member/participant basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at September 30, 2010, no liability has been recorded in the Agency's financial statements. As of September 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

(8) Landfill Operator Contract

The Agency does not contract for operation of the landfill. The Agency employs a director who is responsible for the operation and management of the landfill.

(9) Compensated Absences

Agency full-time hourly employees accumulate a limited amount of earned but unused paid time off (PTO) hours to be used for vacation, illness, funeral, personal days or other reasons. Unused PTO hours at the anniversary date may be bought back by the employer at the employee's current hourly rate or the employee may carry over up to a maximum of 40 hours. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned PTO hours at September 30, 2010 was $2,469. This liability has been computed based on rates of pay in effect at September 30, 2010.

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

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

To the Members of the Floyd – Mitchell – Chickasaw
Solid Waste Management Agency:

We have audited the accompanying financial statement of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2010, and have issued our report thereon dated October 27, 2010. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Floyd – Mitchell – Chickasaw Solid Waste Management Agency's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's responses and, accordingly, we express no opinion on them.

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

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

Lines Murphy & Company, P.L.C.

Lines Murphy & Company, P.L.C.
Certified Public Accountants
Osage, Iowa
October 27, 2010

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Schedule of Findings

September 30, 2010

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records and reconciling payments to receivable records.

Recommendation – The Agency should designate a member of the Board to provide additional control through review of financial transactions to help ensure accounts receivable charges and payments on account are properly recorded and deposited intact.

Response – We will consider this.

Conclusion – Response accepted.

(B) Invoices – Invoices were not properly cancelled to prevent reuse.

Recommendation – Checks should be prepared only from invoices, and the City should mark invoices "paid" to prevent duplicate payments from occurring.

Response – We will do so in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

(3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not. However, the minutes, did not include the location of the meeting as required by Chapter 21E.3 of the Code of Iowa.

Recommendation – The Agency should ensure the location of the meeting is included in the minutes as required.

Response – This recommendation will be followed for future meetings.

Conclusion – Response accepted.

(4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

(5) Solid Waste Fees Retainage – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

(6) Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567–113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	OLD CELL	CELL PHASE 1		
	Postclosure	Closure	Postclosure	Total
Total estimated costs for closure/postclosure care	$ 503,625	420,937	872,200	1,796,762
Less: Balance of funds held in the local dedicated fund at September 30, 2009	513,450	419,969	869,200	1,802,619
	(9,825)	968	3,000	(5,857)
Divided by the number of years remaining in the pay-in-period	1	1	1	
Required payment into the local dedicated fund for the year ended September 30, 2010	(9,825)	968	3,000	(5,857)
Balance of funds held in the local dedicated fund at September 30, 2009	513,450	419,969	869,200	1,802,619
Balance of funds required to be held in the local dedicated fund at September 30, 2010	$ 503,625	420,937	872,200	1,796,762
Amount Agency has restricted and reserved for closure and postclosure care at September 30, 2010				$ 1,910,948

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The Agency is fully funded at this time and no deposit is required.

(7) Capital Projects – Chapter 26.5 of the Code of Iowa prohibits splitting public improvement projects into separate parts when estimated costs exceed the competitive bid threshold. On August 10, 2010, the Agency authorized proceeding with an equipment building of $77,531 made up of estimates for separate payments of $55,931 for materials and $21,600 of labor. In addition, roof wrap and electrical work also needed to be done. This exceeds the threshold committee amount of $45,000 per Chapter 314.1B of the Code of Iowa and approaches the competitive bid threshold of $100,000 per Chapter 26.3 of the Code. This with other costs yet to be estimated.

Recommendation – The Agency should consult legal counsel for the disposition of this matter.

Response – We will do so.

Conclusion – Response accepted.