

South Central Iowa Solid Waste Agency

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

June 30, 2011

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South Central Iowa Solid Waste Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Roger Schletzbaum	Chairperson	Marion County
Mike Beary	Vice-Chairperson	Monroe County
Doug Shutts	Member	Poweshiek County
Larry Davis	Member	Lucas County
Sara Bixby	Director	
Leslie Sedlock	Office Manager	

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Independent Auditor's Report

To the Members of
South Central Iowa Solid Waste Agency:

We have audited the accompanying financial statements of South Central Iowa Solid Waste Agency as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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 South Central Iowa Solid Waste Agency at June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2011 on our consideration of South Central Iowa Solid Waste 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 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 required supplementary information. We did not audit the information and express no opinion on it.

ROLAND & DIELEMAN

Certified Public Accountants

September 30, 2011

Management's Discussion and Analysis

South Central Iowa Solid Waste Agency 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, 2011. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues increased 22% , or \$746,418, from fiscal 2010 to fiscal 2011.
- The Agency's operating expenses were 1%, or \$33,601, more in fiscal 2011 than in fiscal 2010.
- The Agency's net assets increased 18%, or \$1,177,924, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The South Central Iowa Solid Waste Agency 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 South Central Iowa Solid Waste Agency'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 Agency's financial activities.

The Statement of Net Assets presents information on the Agency'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 Agency 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 Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency'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 Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency 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 AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal 2011 totaled \$7,888,911. This compares to \$6,710,987 for fiscal 2010. A summary of the Agency's net assets is presented below.

	Net Assets	
	June 30,	
	2011	2010
Current assets	\$ 4,635,039	\$ 3,323,537
Restricted investments	2,366,248	2,769,053
Capital assets at cost, less accumulated depreciation	3,657,162	3,879,918
Co-op stock	254	254
Total assets	<u>10,658,703</u>	<u>9,972,762</u>
Current liabilities	498,119	480,159
Noncurrent liabilities	2,271,673	2,781,616
Total liabilities	<u>2,769,792</u>	<u>3,261,775</u>
Net assets:		
Invested in capital assets, net of related debt	3,142,162	3,084,918
Restricted	2,366,248	2,769,053
Unrestricted	<u>2,380,501</u>	<u>857,016</u>
Total net assets	<u>\$ 7,888,911</u>	<u>\$ 6,710,987</u>

The unrestricted portion of the Agency's net assets (30%) may be used to meet the Agency's obligations as they come due. The amount invested in capital assets (40%, e.g., land, buildings, and equipment), less the related debt portion of net asset are resources allocated to capital assets. The remaining net assets are restricted for closure and postclosure care, tonnage fees due to the State of Iowa and revenue bond payments. State and Federal laws and regulations require the Agency 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.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received as gate fees from accepting solid waste and charges for recyclable items. Operating expenses are expenses paid to operate the landfill and transfer station and for off-site recycling services. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2011 and 2010 is presented below:

Changes in Net Assets

	Year ended June 30,	
	2011	2010
Operating revenue:		
Gate fees	\$ 4,028,300	\$ 3,308,760
Other operating revenues	91,899	65,021
Total operating revenues	<u>4,120,199</u>	<u>3,373,781</u>
Operating expenses:		
Salaries	599,929	595,004
Employee benefits	174,874	152,399
Machinery maintenance, labor and parts	147,482	151,869
Oil and gas	200,928	132,229
Long range planning and engineering	97,869	127,361
Site maintenance	32,090	22,812
Site utilities	33,170	27,480
Office expenses	78,278	72,934
Training and travel	7,077	8,871
Legal and accounting	5,142	4,018
Insurance	70,898	68,636
Closure and postclosure care costs	(66,635)	51,957
Iowa Department of Natural Resources tonnage fees	236,656	190,480
Depreciation	452,265	450,237
Disposal Fees	743,607	695,001
Miscellaneous	65,666	52,828
Monitoring and sampling	125,200	173,794
Education and grants	46,603	39,588
Total operating expenses	<u>3,051,099</u>	<u>3,017,498</u>
Operating income	<u>1,069,100</u>	<u>356,283</u>
Non-operating revenues (expenses):		
Interest income	173,226	186,114
Interest (expense)	(24,270)	(33,391)
Increase or (Decrease) in value of investments	(40,132)	73,855
Net non-operating revenue	<u>108,824</u>	<u>226,578</u>
Increase in net assets	1,177,924	582,861
Net assets beginning of year	<u>6,710,987</u>	<u>6,128,126</u>
Net assets end of year	<u>\$ 7,888,911</u>	<u>\$ 6,710,987</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 2011, the Agency continued to operate both a Landfill and the Poweshiek Transfer Station.

Operating revenues increased \$746,418, or 22%, from FYE 2010. This was the result of an \$8 per ton Landfill tipping fee increase to a level of \$38 per ton as total tons handled by the Agency dropped for the year.

The Agency in FYE 2011 continued its practice of regular contributions to both reserve funds - the Closure/Post Closure Fund and the General Obligation (Capital Reserve) Fund - from tipping fees charged on all waste received. Both funds are held in conservative management investments and continue to maintain their value even with recent market downturns.

In each year the Agency operates a landfill, its liabilities increase as a result of the ongoing disposal and extended closure and post closure obligations. These liabilities are recognized as a function of the remaining constructed airspace so as capacity in the existing cells is consumed, the liability increases. As shown in the Changes in Net Assets on the previous page, the Agency's recognized closure and post closure care costs also decreased in the past year.

Contributions to the Landfill Closure/Post Closure Fund are required by state code until the balance reaches a level matching the estimated cost to close the Landfill and ensure its care for at least 30 years thereafter. This cost was estimated to be \$2,340,740 by the consulting engineer in March 2011. On June 30, 2011, the Closure/Post Closure Fund had a balance of \$3,191,428, an increase of \$125,721 from the previous year. Contributions to the fund on waste received from within the Agency's four member countries were suspended in spring 2010 because it had reached the required level. Additional contributions after that time were made to the fund only on waste received from the Rathbun Area Solid Waste Commission, a contracted customer to the Agency. Cost estimates are required to be updated annually to reflect waste flows, updated operating expenditures, and the fund balance, as well as the portion of the site in use and/or permanently closed.

The Agency also continued making regular contributions from tipping fees to its General Obligation (Capital Reserve) Fund in FYE 2011. The General Obligation (Capital Reserve) Fund is the Agency's "savings account" from which it can draw to fund major capital expenditures like construction of new disposal capacity and equipment replacement.

As of June 30, 2011, the General Obligation (Capital Reserve) Fund held \$2,919,553, up \$791,601 from the previous year. The increase in fund balance is largely attributable to the tipping fee contribution.

The notes to this audit show that the agency has three years of remaining capacity in its active disposal area. However, additional capacity will be built in FYE 2012 with additional phases planned and with preliminary DNR approval for the next 30-plus years. Construction of each new phase will begin as the older phase is used. The Agency has adequate land to ensure continued disposal on site well into the next century.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact South Central Iowa Solid Waste Agency, 1736 Hwy T 17, Tracy, Iowa 50256 or call 641-828-8545. Minutes of Agency Board meetings are posted on its website @ www.sciswa.org.

South Central Iowa Solid Waste Agency
Statement of Net Assets
June 30, 2011

Assets

Current assets:

Cash and cash equivalents	\$ 391,296
Investments	3,744,733
Receivables:	
Accounts	447,837
Prepaid insurance	<u>51,173</u>
Total current assets	<u>4,635,039</u>

Noncurrent assets:

Restricted investments	2,366,248
Capital assets (net of accumulated depreciation)	3,657,162
Co-op stock	<u>254</u>
Total noncurrent assets	<u>6,023,664</u>

Total assets**\$ 10,658,703****Liabilities**

Current liabilities:

Accrued expenses	\$ 79,527
Salaries and benefits payable	128,592
Revenue note - current portion	<u>290,000</u>
Total current liabilities	<u>498,119</u>

Noncurrent liabilities:

Revenue note- less current portion shown above	225,000
Landfill closure and postclosure care costs	<u>2,046,673</u>
Total noncurrent liabilities	<u>2,271,673</u>

Total liabilities**2,769,792****Net assets**

Invested in capital assets, net of related debt	3,142,162
Restricted for:	
Closure and postclosure care	2,340,740
Revenue note	25,508
Unrestricted	<u>2,380,501</u>

Total net assets**\$ 7,888,911**

See notes to financial statements.

South Central Iowa Solid Waste Agency
Statement of Revenues, Expenses and
Changes in Net Assets
Year ended June 30, 2011

Exhibit B

Operating revenues:	
Gate fees	\$ 4,028,300
Other operating revenues	<u>91,899</u>
Total operating revenues	<u>4,120,199</u>
Operating expenses:	
Salaries	599,929
Employee benefits	174,874
Machinery maintenance, labor and parts	147,482
Oil and gas	200,928
Long range planning and engineering	97,869
Site maintenance	32,090
Site utilities	33,170
Office expenses	78,278
Training and travel	7,077
Legal and accounting	5,142
Insurance	70,898
Closure and postclosure care costs	(66,635)
Iowa Department of Natural Resources tonnage fees	236,656
Depreciation	452,265
Disposal fees	743,607
Miscellaneous	65,666
Monitoring and sampling	125,200
Education and grants	<u>46,603</u>
Total operating expenses	<u>3,051,099</u>
Operating income	<u>1,069,100</u>
Non-operating revenues (expenses):	
Interest income	173,226
Interest (expense)	(24,270)
(Loss) on investments	<u>(40,132)</u>
Net non-operating revenues	<u>108,824</u>
Change in net assets	1,177,924
Net assets beginning of year	<u>6,710,987</u>
Net assets end of year	<u>\$ 7,888,911</u>

See notes to financial statements.

South Central Iowa Solid Waste Agency
Statement of Cash Flows
Year ended June 30, 2011

Exhibit C

Cash flows from operating activities:	
Cash received from gate fees	\$ 3,965,261
Cash received from other operating receipts	91,899
Cash paid to suppliers for goods and services	(2,212,830)
Cash paid to employees for services	(599,477)
Net cash provided by operating activities	<u>1,244,853</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(229,509)
Net cash used by capital and related financing activities	<u>(229,509)</u>
Cash flows from investing activities:	
Payment on debt	(280,000)
Purchase of investments	(752,079)
Interest received	173,226
Interest paid	(24,270)
Net cash used for investing activities	<u>(883,123)</u>
Net Increase in cash and cash equivalents	132,221
Cash and cash equivalents beginning of year	<u>259,075</u>
Cash and cash equivalents end of year	<u>\$ 391,296</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>1,069,100</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	452,265
Closure and postclosure costs	(219,943)
Changes in assets and liabilities:	
(Increase) in accounts receivable	(63,039)
(Increase) in prepaid insurance	(1,490)
Increase in accrued expenses	7,508
Increase in salary and benefits payable	452
Total adjustments	<u>175,753</u>
Net cash provided by operating activities	<u>\$1,244,853</u>

See notes to financial statements.

South Central Iowa Solid Waste Agency
Notes to Financial Statements
June 30, 2011,

(1) Summary of Significant Accounting Policies

South Central Iowa Solid Waste Agency was formed in 1994 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to operate the sanitary landfill in Marion County for use by all residents of Marion, Poweshiek, Lucas, and Monroe counties.

The Agency is composed of one representative from each of the four member counties.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, South Central Iowa Solid Waste 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 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 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. South Central Iowa Solid Waste Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of South Central Iowa Solid Waste Agency 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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 Agency 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 Agency 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 Agency'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 Assets

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

Cash, Investments and Cash Equivalents - The Agency 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 a maturity date no longer than three months.

Restricted Investments - Funds set aside for payment of closure and postclosure care costs and payment of revenue bonds are classified as restricted.

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

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 25,000
Equipment and vehicles	5,000

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	20-40
Equipment and vehicles	5-10

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, 2011.

Compensated absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2011.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2011 were not 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 rates 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 Agency's investments and cash are categorized to give an indication of the level of risk assumed by the Agency at year end. The three categories of risk are described below.

- Category 1 Investments that are insured, registered or held by the entity or by its agent in the Agency's name.
- Category 2 Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the Agency's name.
- Category 3 Uninsured and unregistered investments held by the counterparty, its trust or its agent, but not in the Agency's name.

The Agency's investments and cash equivalents at June 30, 2011 are as follows:

	June 30, 2011		
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Risk Category</u>
Wells Fargo Cash Investment M.M.	\$ 2,063,317	\$ 2,063,317	1
Bond Fund	554,280	554,280	2
Wells Fargo Gov't Obligation	3,493,384	3,493,384	2
Wells Fargo Checking	391,296	391,296	1

(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 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 4.50% of their annual covered salary and the Agency is required to contribute 6.95% of covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$41,081, \$36,756 and \$35,769, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets at June 30, 2011 is as follows:

	Balance Beginning Of Year	Increases	Decrease	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	\$ 196,728			196,728
Capital assets being depreciated:				
Buildings and roads	803,880			803,880
Equipment and vehicles	<u>5,606,009</u>	<u>333,874</u>	<u>(657,076)</u>	<u>5,282,807</u>
Total capital assets being depreciated	<u>6,409,889</u>	<u>333,874</u>	<u>(657,076)</u>	<u>6,086,687</u>
Less accumulated depreciation for:				
Buildings and roads	276,797	27,450		304,247
Equipment and vehicles	<u>2,449,902</u>	<u>424,815</u>	<u>(552,711)</u>	<u>2,322,006</u>
Total accumulated depreciation	<u>2,726,699</u>	<u>452,265</u>	<u>(552,711)</u>	<u>2,626,253</u>
Total capital assets being depreciated, net	<u>3,683,190</u>	<u>(118,391)</u>	<u>(104,365)</u>	<u>3,460,434</u>
Total capital assets, net	\$ <u>3,879,918</u>	<u>(118,391)</u>	<u>(104,365)</u>	<u>3,657,162</u>

(5) Closure and Postclosure Care Costs

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 postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The Iowa DNR interpretation of the EPA requirements

provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of compacted clay and twenty-four inches of rooting material 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. The Agency is closing portions of the landfill as they are fully filled and as a result incurring closure costs each year. However, the thirty-year postclosure period will not begin until all landfilling ends on the site.

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 cost consists 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 South Central Iowa Solid Waste Agency have been estimated at \$1,196,600 for closure and \$1,144,140 for postclosure, for a total of \$2,340,740 as of June 30, 2011, and the portion of the liability that has been recognized is \$2,046,673. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfills constructed operating cells is 3 years and the capacity used at June 30, 2011 is 95 percent.

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 accumulated resources to fund these costs and, at June 30, 2011, assets of \$ 2,340,740 are restricted for these purposes. They are reported as restricted investments in the Statement of Net Assets.

Financial Assurance - The Agency has demonstrated financial assurance for closure and postclosure care costs as provided in Chapter 567-113 of the Iowa Administrative Code.

Total estimated costs for closure and postclosure care	\$ 2,340,740
Financial assurance instruments	
Local Dedicated Fund	\$ <u>3,191,428</u>
Amount agency has restricted and reserved for closure and post closure care at June 30, 2011	\$ <u>3,191,428</u>

Chapter 567-113.14(8) of the IAC allows the agency to choose the dedicated fund

mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(6) Transfer Station Closure Care

To comply with state regulations, the Agency is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Agency is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

The total closure care costs for the Agency as of June 30, 2011 have been estimated at \$24,600. The balance has been restricted and is fully funded at June 30, 2011.

(7) 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.

(8) Risk Management

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

(9) Long-Term Debt

The agency issued a revenue note for the construction of a new cell. The original note is for \$1,060,000 with yearly payments as follows.

2012	\$ 290,000
2013	\$ 115,000
2014	\$ 110,000

The interest rate is 3.2% paid semi-annually. One hundred percent of future net revenues have been pledged as collateral.

The agency reserved net assets of \$25,508 as required by revenue note provisions.

(10) Equipment Purchases

A new John Deere Crawler tractor was purchased in July 2011 for a price of \$189,773. A new track loader was also purchased in August 2011 for \$383,737. A contract for final cover for two cells was awarded in the amount of \$210,381. This amount will be paid in the 2011-2012 fiscal year.

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

To the Members of South Central Iowa
Solid Waste Agency:

We have audited the accompanying financial statements of South Central Iowa Solid Waste Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. 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 South Central Iowa Solid Waste Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Central Iowa Solid Waste Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Central Iowa Solid Waste 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.

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 South Central Iowa Solid Waste Agency's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central Iowa Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Central Iowa Solid Waste 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.

ROLAND & DIELEMAN

Certified Public Accountants

September 30, 2011

South Central Iowa Solid Waste Agency
Schedule of Findings
Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

None

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

South Central Iowa Solid Waste Agency
 Schedule of Findings
 Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- 1- Questionable Expenses - No expenses 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 expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- 3- Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
- 4- Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- 5- Solid Waste Fees Retainage - No instances 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 demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund and the local government financial test as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure and Postclosure
Total estimated costs for closure and postclosure care	\$ 2,340,740
Balance of funds held in the local dedicated fund as of June 30, 2010	<u>3,093,975</u> (753,235)
Required payment into the local dedicated fund for the year ended June 30, 2011	0
Balance of funds held in the local dedicated fund as of June 30, 2011	<u>3,191,428</u>
Required balance of funds to be held in the local dedicated fund and local governments financial test at June 30, 2011	<u>2,340,740</u>
Amount Agency has restricted for closure and postclosure care at June 30, 2011	<u>2,340,740</u>

- 7- Transfer Station - The Agency has demonstrated financial assurance for closure care costs of the transfer station.

South Central Iowa Solid Waste Agency

Staff

This audit was performed by:

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Royal Roland, CPA
Edwin Dieleman, CPA