South Central Iowa Landfill Agency

Financial Statements and Required Supplementary Information
(With Independent Auditor's Reports Thereon)
June 30, 2011 and 2010

Shull
and Co. P.C.
certified public accountants

SOUTH CENTRAL IOWA LANDFILL AGENCY

OFFICIALS

NAME	TITLE	REPRESENTING
	Before January 2011	
Tim Zisoff	Chairperson	City of Indianola
Mark Nitchals	Vice Chairperson	City of Winterset
Pete Berry	Board member	City of Indianola
Roy Seymour	Board member	Warren County
Bob Weeks	Board member	Madison County
	After January 2011	
Tim Zisoff	Chairperson	City of Indianola
Mark Nitchals	Vice Chairperson	City of Winterset
Pete Berry	Board member	City of Indianola
Jim Bussanmas	Board member	City of Bevington
Bob Weeks	Board member	Madison County

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
South Central Iowa Landfill Agency

We have audited the accompanying financial statements of South Central Iowa Landfill Agency as of and for the years ended June 30, 2011 and 2010. 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 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 financial statements. 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Iowa Landfill Agency as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2011 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in the statements of operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Shell & Co. P.C.

December 15, 2011

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

South Central Iowa Landfill 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 3.1%, or $28,162 from fiscal 2010 to fiscal 2011 due to an increase in construction debris.

- The Agency's operating expenses were 21.1%, or $339,343 less in fiscal 2011 than in fiscal 2010.

- The Agency's net assets decreased $276,853 from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The South Central Iowa Landfill 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 Landfill 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 at the end of fiscal 2011 totaled $1,601,983. This compares to $1,878,836 at the end of fiscal 2010. A summary of the Agency's net assets is presented below.

Net Assets

	2011	2010
Current Assets	$ 781,723	990,594
Restricted assets	2,134,888	2,128,223
Capital assets at cost, less accumulated depreciation	1,174,662	1,093,730
Total Assets	$4,091,273	4,212,547
Current Liabilities	$ 49,790	26,811
Noncurrent Liabilities	2,439,500	2,306,900
Total Liabilities	$2,489,290	2,333,711
Net Assets:		
Invested in capital assets	$1,174,662	1,093,730
Restricted	2,134,888	2,128,223
Unrestricted	(1,707,567)	(1,343,117)
Total Net Assets	$1,601,983	1,878,836

$2,134,888 of the Agency's net assets are the 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 invested in capital assets (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 the unrestricted net assets that can be used to meet the Agency'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 and expenses are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and change in net assets for the years ended June 30, 2011 and 2010 is presented below:

Changes in Net Assets

	2011	2010
Operating Revenues		
Gate fees	$ 921,883	890,963
Late charges	1,151	3,909
	923,034	894,872
Operating Expenses		
Personnel	245,123	220,006
Equipment operation and property maintenance	359,141	266,248
Depreciation	323,328	514,035
Engineering	72,363	73,526
Tonnage fees	118,206	80,809
Closure and postclosure care	132,600	426,100
Office and general	15,728	25,108
Total operating expenses	1,266,489	1,605,832
Operating income (loss)	(343,455)	(710,960)
Nonoperating Revenues		
Interest income	65,230	65,914
Miscellaneous	1,372	1,140
Increase (decrease) in net assets	(276,853)	(643,906)
Net assets, beginning of year	1,878,836	2,522,742
Net assets, end of year	$ 1,601,983	1,878,836

The Statement of Revenues, Expenses and Changes in Net Assets reflects a stable year with continued decline in net assets as closure and postclosure care costs are accrued.

In fiscal 2011, operating revenues increased by $28,162, or 3.1% as a result of an increase in construction debris. Operating expenses decreased by $339,343, or 21.1%. The decrease was primarily a result of an decrease in accrued closure and postclosure care expense of approximately $293,500.

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

CAPITAL ASSETS

At June 30, 2011, the Association had approximately $1,174,662 invested in capital assets, net of accumulated depreciation of approximately $2,631,472. Depreciation charges totaled $323,328 for fiscal 2011. More detailed information about the Agency's capital assets is presented in Note 5 to the financial statements.

LONG-TERM DEBT

At June 30, 2011, the Agency had $2,439,500 in debt outstanding, an increase of $132,600 from 2009. The table below summarized outstanding debt by type.

	June 30,	
	2011	2010
Closure and postclosure care cost	$ 2,439,500	$ 2,306,900

Additional information about the Agency's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS

South Central Iowa Landfill Agency 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 Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

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

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 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 Landfill Agency, 2496 Highway 92, Winterset, IA 50273.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Statements of Net Assets
June 30, 2011 and 2010

ASSETS	2011	2010
Current Assets		
Cash and short-term investments	$ 683,542	363,283
Investments, certificates of deposit	-	518,733
Accounts receivable	78,666	88,636
Accrued interest receivable	11,391	12,682
Prepaid insurance	8,124	7,260
Total current assets	781,723	990,594
Restricted assets		
Investments, including certificates of deposit of $1,791,313 (2010 - $1,564,532)	2,134,888	2,128,223
Capital assets		
Land and improvements	534,141	534,141
Buildings and improvements	1,541,139	1,494,859
Equipment	1,730,854	1,711,604
	3,806,134	3,740,604
Less accumulated depreciation	2,631,472	2,646,874
	1,174,662	1,093,730
	$ 4,091,273	4,212,547
LIABILITIES		
Current Liabilities		
Accounts payable	$ 48,340	25,893
Accrued wages and benefits payable	1,450	918
Total current liabilities	49,790	26,811
Accrued closure and postclosure care expenses	2,439,500	2,306,900
NET ASSETS		
Invested in capital assets	1,174,662	1,093,730
Restricted for		
Closure	1,302,100	963,415
Postclosure care	832,788	1,164,808
Unrestricted	(1,707,567)	(1,343,117)
	1,601,983	1,878,836
	$ 4,091,273	4,212,547

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Gate fees	$ 921,883	890,963
Late charges	1,151	3,909
	923,034	894,872
Operating Expenses		
Personnel	245,123	220,006
Equipment operation and property maintenance	359,141	266,248
Depreciation	323,328	514,035
Engineering	72,363	73,526
Tonnage fees	118,206	80,809
Closure and postclosure care	132,600	426,100
Office and general	15,728	25,108
Total operating expenses	1,266,489	1,605,832
Operating income (loss)	(343,455)	(710,960)
Nonoperating Revenues		
Interest income	65,230	65,914
Miscellaneous	1,372	1,140
Increase (decrease) in net assets	(276,853)	(643,906)
Net assets, beginning of year	1,878,836	2,522,742
Net assets, end of year	$ 1,601,983	1,878,836

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Cash received from customers	$ 933,004	984,738
Cash paid to suppliers for goods and services	(543,855)	(448,916)
Cash paid to employees for services	(244,591)	(219,088)
Net cash provided by operating activities	144,558	316,734
Cash flows from capital and related financing activities		
Acquisition of capital assets	(404,260)	(153,547)
Net cash used by capital and related financing activities	(404,260)	(153,547)
Cash flows from investing activities		
Purchases of investments	(51,351)	(390,606)
Maturities of investments	563,419	336,000
Interest income received	66,521	69,451
Miscellaneous revenue received	1,372	1,140
Net cash provided by investing activities	579,961	15,985
Net increase in cash and short-term investments	320,259	179,172
Cash and short-term investments, beginning of year	363,283	184,111
Cash and short-term investments, end of year	$ 683,542	363,283
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	$ (343,455)	(710,960)
Adjustments		
Depreciation	323,328	514,035
(Increase) decrease in accounts receivable	9,970	89,866
(Increase) decrease in prepaid insurance	(864)	(156)
Increase (decrease) in accounts payable	22,447	(3,069)
Increase (decrease) in accrued wages and benefits payable	532	918
Increase in accrued closure and postclosure care expenses	132,600	426,100
Net cash provided by operating activities	$ 144,558	316,734

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Central Iowa Landfill Agency (the "Agency") was formed in 1980 by the City of Winterset, Iowa, Madison County, Iowa and the City of Indianola, Iowa pursuant to the powers granted by Chapters 28E and 28F of the Code of Iowa of 1979, as amended. The entities forming the Agency made initial capital contributions and sold general obligation bonds to finance the Agency. The Agency subsequently repaid the bonds in full and agreed to return the capital contributions. The purpose of the Agency is to operate, manage, maintain, and control the solid waste disposal facilities for solid waste produced and generated within Madison County, and the cities of Winterset and Indianola, Iowa.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and two individuals selected by the representatives of the other participating governments.

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, the 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 Landfill 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 used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (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.

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 Agency applied 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 Investments – 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, have a maturity date no longer than three months. At June 30, 2011 the Agency had no cash investments not meeting the definition of cash equivalents.

Restricted Assets – The Agency has established a local designated fund for payment of closure and postclosure care costs. Certificates of deposit identified as part of the fund have been classified as restricted assets.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Investments (Continued) –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.

Asset Class	Amount
Land and improvements	$ 25,000
Buildlings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Land and improvements	10 - 50
Buildlings and improvements	10 - 40
Equipment and vehicles	5 - 10

2. RESTATEMENT OF NET ASSETS

During the year ended June 30, 2008 the Agency began using a horizontal expansion landfilling area and closed the original landfilling area of the landfill. The Agency's engineers began providing separate closure and postclosure care costs for the two areas. During the year ended June 30, 2010 the Agency discovered the amounts previously accrued for closure and postclosure care costs did not include both landfilling areas. Based upon an analysis of previously provided cost estimates the Agency determined a correction of previously reported accrued closure and postclosure care costs and net assets was necessary. Accordingly, the following adjustments to previously reported amounts are reflected in the financial statements:

	Previously Reported	As Adjusted
Accrued closure and postclosure care expenses as of June 30, 2008	$ 688,062	1,585,700
Net assets as of June 30, 2008	3,906,103	3,008,465
Closure and postclosure care expense for the year ended June 30, 2009	17,310	295,100
Accrued closure and postclosure care expenses as of June 30, 2009	705,372	1,880,800
Net assets as of June 30, 2009	3,698,170	2,522,742

3. CASH AND INVESTMENTS

The Agency's deposits at June 30, 2011 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 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 Board of Directors; 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.

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) in 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.

4. 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 4.50% of their annual salary and the Agency is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were $10,628, $9,951 and $10,300, respectively, equal to the required contributions for each year.

Effective July 1, 2000 the Agency established a deferred compensation plan covering all full-time employees. The plan provides the Agency will match up to $30 per month of eligible employee contributions. Agency contributions to the plan for the year ended June 30, 2011 were $1,560 (2010 - $1,560).

5. CAPITAL ASSETS

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

	Beginning of Year	Increases	Decreases	End of Year
Capital assets being depreciated:				
Land and improvements	$ 534,141	-	-	534,141
Buildings and improvements	1,494,859	46,280	-	1,541,139
Equipment	1,711,604	357,980	338,730	1,730,854
Total capital assets being depreciated	3,740,604	404,260	338,730	3,806,134
Less accumulated depreciation for:				
Land and improvements	113,940	6,330	-	120,270
Buildings and improvements	925,250	179,519	-	1,104,769
Equipment	1,607,684	137,479	338,730	1,406,433
Total accumulated depreciation	2,646,874	323,328	338,730	2,631,472
Total capital assets, net	$1,093,730	80,932	-	1,174,662

6. CLOSURE AND POSTCLOSURE CARE COSTS

To comply with Federal and State regulations, the Agency is required to complete a monitoring system plan and 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 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.

6. CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

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

These costs for the Agency have been estimated at $1,302,100 for closure and $1,320,000 for postclosure care for a total of $2,622,100 as of June 30, 2011 and the portion of the liability that has been recognized is $2,439,500. This liability represents the cumulative amount reported to date based on the use of the original landfill area and approximately 89 percent of the capacity of the horizontal expansion area with a remaining life of approximately .5 years. A provision for the above liability has been made on the Agency's balance sheet as of June 30, 2011, 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.

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 $2,134,888 are restricted for these purposes, of which $1,302,100 is for closure and $832,788 is for postclosure care. They are reported as restricted assets 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 postclosure care costs are not fully funded, the Association is required to demonstrate financial assurance for the unfunded costs. The Association has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Association must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.

6. CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment
CE = total required financial assurance
CB = current balance of the fund
Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Association 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 Association 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.

7. SOLID WASTE TONNAGE FEES RETAINED

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

As of June 30, 2011, there were no unspent amounts retained by the Agency and restricted for the required purposes.

8. LOCAL GOVERNMENT RISK POOL

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' 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. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

8. LOCAL GOVERNMENT RISK POOL (CONTINUED)

The Pool also provides property coverage. Members 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 expenditures over the period of coverage. The Agency's annual contributions to the Pool for the year ended June 30, 2011 were $20,557 (2010 - $19,612).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Statements of Operating Expenses
Years Ended June 30, 2011 and 2010

	2011	2010
Personnel Expenses:		
Salaries and wages	$ 171,202	159,833
Payroll taxes	13,162	12,290
IPERS	10,655	9,951
Retirement contributions	1,560	1,560
Group insurance	39,978	27,474
Workers' compensation insurance	8,566	8,898
	245,123	220,006
Equipment Operation and Property Maintenance Expenses:		
Fuel expense	104,294	64,370
Repairs and maintenance	121,517	57,106
Rock and road stone	15,192	29,014
Insurance	20,250	19,950
Recyclables expense, net	56,411	54,331
Household hazardous waste fees	41,477	41,477
	359,141	266,248
Depreciation	323,328	514,035
Planning and permits engineering	72,363	73,526
Tonnage fees	118,206	80,809
Closure and postclosure care	132,600	426,100
Office and General Expenses:		
Utilities	6,460	11,362
Telephone	1,933	1,358
Office supplies	1,603	3,776
Postage	88	275
Advertising and printing	1,968	2,247
Dues, conferences and meetings	301	1,275
Professional fees	3,375	4,815
	15,728	25,108
	$ 1,266,489	1,605,832

See accompanying independent auditor's report.

Shull
and Co. P.C.
certified public accountants

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 Board of Directors
South Central Iowa Landfill Agency

We have audited the accompanying financial statements of South Central Iowa Landfill Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Central Iowa Landfill Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Central Iowa Landfill Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Central Iowa Landfill 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 South Central Iowa Landfill Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the South Central Iowa Landfill Agency's internal control described in the accompanying Schedule of Findings to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Central Iowa Landfill 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 that are 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.

The South Central Iowa Landfill Agency's 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 South Central Iowa Landfill 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 officials, employees and citizens of the South Central Iowa Landfill Agency and other parties to whom the South Central Iowa Landfill 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 the South Central Iowa Landfill 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.

Shull & Co. P.C.

December 15, 2011

Findings Related to the General Purpose Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties - During our review of the internal control over financial reporting, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Agency's financial statements. We noted that one individual performs all record-keeping and reconciling functions for the Agency.

Recommendation - We realize that with a limited number of employees, segregation of duties is impractical. We recommend the Agency Board review monthly receipts and disbursements, accounts receivable and payable lists and bank reconciliations for unusual or unauthorized transactions.

Response and Corrective Action Planned - We have reviewed the number of staff necessary to perform accounting duties for the Agency and have no plans to add staff. The Agency Board is aware of the possibility for errors or fraud to occur.

Conclusion - Response accepted.

(B) Financial Reporting – Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and training to select and apply accounting principles and prepare financial statements including footnote disclosures. Management presently lacks the training to appropriately fulfill these responsibilities.

Recommendation – This situation is very common in small entities. Obtaining additional knowledge through reading accounting literature or attending professional education courses should help management improve their ability to prepare and take responsibility for reliable financial statements prepared in accordance with generally accepted accounting principles.

Response and Corrective Action Planned - We will consider this.

Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

(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 12C of the Code of Iowa and the City's investment policy were noted.

(5) Solid Waste Fees Retainage - During the year ended June 30, 2011, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

(6) Financial Assurance - The Association has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative code. The calculation is made as follows:

	Original Landfill	Horizontal Expansion
Total estimated costs for closure and postclosure care	$ 961,900	1,660,200
Less: Balance of funds held in the local dedicated fund at June 30, 2010	(1,044,300)	(1,083,923)
	$ (82,400)	576,277
Divided by the number of years remaining in the pay-in period	-	6
Required payment into the local dedicated fund for the year ended June 30, 2011	$ (82,400)	96,046
Balance of funds held in the local dedicated fund at June 30, 2010	1,044,300	1,083,923
Deficiency of funds held in the local dedicated fund at June 30, 2010	-	-
Required balance of funds held in the local dedicated fund at June 30, 2011	$ 961,900	1,179,969
Amount Association has restricted and reserved for closure and postclosure care at June 30, 2011	$ 961,900	1,172,988