Financial Statements
June 30, 2012

Dubuque Metropolitan Area Solid Waste Agency
(A Component Unit of the City of Dubuque, Iowa)

DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY

Table of Contents

	Page
BOARD MEMBERS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	8-9
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12-21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for the Retiree Benefit Plan	22
OTHER SUPPLEMENTARY INFORMATION	
Combining Statement of Net Assets	23
Combining Statement of Revenues, Expenses, and Changes in Net Assets	24
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*	25-26
SCHEDULE OF FINDINGS	27

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
BOARD MEMBERS

Name	Title	Term Expires
Eric J. Manternach	Board Member	January 31, 2013
David T. Resnick	Chairperson	January 31, 2013
Richard W. Jones	Vice Chairperson	January 31, 2013

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Independent Auditor's Report

To the Dubuque Metropolitan Area
Solid Waste Agency Board

We have audited the accompanying financial statements of the Dubuque Metropolitan Area Solid Waste Agency (Agency), a component unit of the City of Dubuque, Iowa, as of and for the year ended June 30, 2012, which comprise the Agency's basic financial statements as listed in the table of contents. 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 the 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 discussed in Note 1, the financial statements referred to above present only the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, and are not intended to present fairly the financial position of the City of Dubuque and the changes in financial position and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, Iowa, as of June 30, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the Agency's internal control over financial reporting and on 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 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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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Benefit Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The list of Board Members has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Eide Bailly LLP

Dubuque, Iowa
December 18, 2012

DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

This section of the financial report of the City of Dubuque Metropolitan Area Solid Waste Agency (DMASWA) presents our discussion and analysis of the financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the financial statements of the DMASWA found in this report.

FINANCIAL HIGHLIGHTS

- The assets of the DMASWA exceeded its liabilities at the close of the fiscal year by $11,198,415 (net assets). This was an increase of $181,137 in net assets at June 30, 2012. Unrestricted net assets at June 30, 2012, in the amount of $4,192,117 may be used to meet the DMASWA's ongoing obligations.
- Total operating revenues exceeded expenses by $124,361.
- Within the DMASWA's operating fund, revenues exceeded expenses and transfers by $87,563.
- Within the DMASWA's planning fund, revenues and transfers exceeded expenses by $93,574.

OVERVIEW OF THE FINANCIAL STATEMENTS

The DMASWA's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. This discussion and analysis is intended to serve as an introduction to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

The statement of net assets presents information on all of the DMASWA'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 is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the DMASWA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what cash was used for and what was the change in cash and cash equivalents during the reporting year.

FINANCIAL ANALYSIS

Net asset: As noted earlier, net assets may serve as a useful indicator of a facility's financial position when observed over time. In the case of the DMASWA, assets exceeded liabilities by $11,198,415 at the close of the most recent fiscal year.

The largest part of the DMASWA's assets (63.7%) reflects its investment in cash and cash investments. The DMASWA's deposits at June 30, 2012, 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 bank depositories to insure there will be no loss of public funds.

DMASWA NET ASSETS

	2012 Total	2011 Total
Current and Other Assets	$ 10,396,612	$ 10,832,278
Capital Assets	5,429,829	4,439,490
Total Assets	15,826,441	15,271,768
Long-term Liabilities	4,432,664	3,879,873
Other Liabilities	195,363	374,617
Total Liabilities	4,628,027	4,254,490
Net Assets:		
Invested in Capital Assets	5,429,829	4,439,489
Restricted by State Statute	345,408	260,294
Restricted for Minority Interest	1,231,061	1,434,071
Unrestricted	4,192,117	4,883,424
Total Net Assets	$ 11,198,415	$ 11,017,278

Long-term liabilities increased due to the increase in the landfill closure and post closure care liability.

Certain assets of the DMASWA are classified as restricted assets because they may be used only for such purposes specified by state statute.

At the close of fiscal year 2012, the DMASWA reports a total operating income of $124,361 and an increase in net assets of $181,137.

DMASWA
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2012 Total	2011 Total
Operating Revenues	$ 4,100,388	$ 3,416,513
Operating Expenses	3,976,027	3,587,054
Operating Income(Loss)	124,361	(170,541)
Non-Operating Revenues	56,776	109,806
Change in Net Assets	181,137	(60,735)
Net Assets, Beginning	11,017,278	11,078,013
Net Assets, Ending	$ 11,198,415	$ 11,017,278

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The DMASWA's investment in capital assets for its operating and planning funds as of June 30, 2012, amounts to $5,429,828 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and construction in progress. Additional information on the DMASWA's capital assets can be found in Note 3 to the financial statements in this report.

CAPITAL ASSETS (net of accumulated depreciation)

	2012 Total	2011 Total
Land	$ 2,776,217	$ 1,586,092
Buildings	65,922	65,922
Improvements other than buildings	6,364,906	6,364,906
Machinery and equipment	3,909,301	3,801,218
Construction in progress	299,300	-
Accumulated depreciation	(7,985,818)	(7,378,648)
	$ 5,429,828	$ 4,439,490

Long-term debt: There was no long-term debt for the DMASWA during fiscal year ended June 30, 2012 or June 30, 2011.

ECONOMIC FACTORS

Rates increased 3.0% and volume increased 14% in fiscal year 2012.

Requests for information: This financial report is designed to provide a general overview of the DMASWA's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Dubuque, Finance Director, 50 West 13th Street, Dubuque, Iowa 52001-4864.

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

CURRENT ASSETS		
Cash and cash investments	$	5,605,405
Receivables		
Accounts		270,943
Accrued interest		4,839
Prepaid items		14,118
Total Current Assets		5,895,305
NONCURRENT ASSETS		
Temporarily restricted cash and cash investments		
For landfill closure and post closure care		4,155,900
By state statue		345,408
Total temporarily restricted cash and cash investments		4,501,308
Capital Assets		
Land		2,776,217
Buildings		65,922
Improvements other than buildings		6,364,906
Machinery and equipment		3,909,301
Construction in Progress		299,300
Accumulated depreciation		(7,985,818)
Net Capital Assets		5,429,828
Total Noncurrent Assets		9,931,136
Total Assets		15,826,441

See notes to financial statements.

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
STATEMENT OF NET ASSETS (continued)
JUNE 30, 2012

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	$	119,622
Accrued payroll		13,731
Accrued compensated absences		535
Intergovernmental payable		61,475
Total Current Liabilities		195,363
NONCURRENT LIABILITIES		
Landfill closure and post closure care		4,106,246
Accrued compensated absences		277,862
NET OPEB liability		48,556
Total Noncurrent Liabilities		4,432,664
Total Liabilities		4,628,027
NET ASSETS		
Invested in capital assets		5,429,829
Restricted by state statute		345,408
Restricted for minority interest		1,231,061
Unrestricted		4,192,117
Total Net Assets	$	11,198,415

See notes to financial statements.

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

OPERATING REVENUES		
Charges for sales and services	$	4,100,388
OPERATING EXPENSES		
Employee expense		1,098,055
Utilities		47,054
Repairs and maintenance		233,971
Supplies and services		1,659,850
Insurance		62,689
Closure and post closure care		267,238
Depreciation		607,170
Total Operating Expenses		3,976,027
OPERATING INCOME		124,361
NONOPERATING REVENUES		
Intergovernmental		24,499
Investment earnings		32,277
Total Non-Operating Revenues		56,776
CHANGE IN NET ASSETS		181,137
NET ASSETS, BEGINNING		11,017,278
NET ASSETS, ENDING	$	11,198,415

See notes to financial statements.

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 4,086,933
Cash payments to suppliers for goods and services	(1,986,614)
Cash payments to employees for services	(968,200)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,132,119
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental grant proceeds	24,499
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,597,509)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	38,218
NET DECREASE IN CASH AND CASH EQUIVALENTS	(402,673)
CASH AND CASH EQUIVALENTS, BEGINNING	10,509,386
CASH AND CASH EQUIVALENTS, ENDING	$ 10,106,713
RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Income	$ 124,361
Adjustments to reconcile operating income to net cash used for operating activities	
Increase in landfill closure and post closure estimated liability	267,238
Depreciation	607,170
Change in assets and liabilities	
Increase in accounts receivable	(13,455)
Decrease in other receivable	27,473
Decrease in prepaid items	13,033
Decrease in accounts and intergovernmental payables	(31,247)
Increase in accrued liabilities	129,855
Increase in net OPEB liability	7,691
Total Adjustments	1,007,758
NET CASH PROVIDED BY OPERATING ACTIVITES	$ 1,132,119

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Dubuque Metropolitan Area Solid Waste Agency was created by a 28E agreement, as allowed by the Code of Iowa, between the City of Dubuque, Iowa, and Dubuque County, Iowa. Its purpose is to provide solid waste management for the Dubuque metropolitan area.

The Agency is governed by a three-person board consisting of two council members from the City of Dubuque and one supervisor from Dubuque County. Board members are appointed by their respective legislative bodies.

Under a contract with the Agency, the City of Dubuque operates and administers the Agency, including collecting, paying, and accounting for Agency funds.

Because the City of Dubuque appoints a majority of the Agency's governing board and has authority over those persons responsible for the day-to-day operations of the Agency, the Agency is considered a component unit of the City and is presented as such in the City's basic financial statements.

During the year ended June 30, 2012, $837,003 of the Dubuque Metropolitan Area Solid Waste Agency's charges for services was related to services provided to the City of Dubuque.

The Agency has determined that there are no potential component units which must be included in its financial statements.

Basis of Accounting

The Agency's accounting records are maintained on the cash basis. However, for financial reporting purposes, the accounting records have been adjusted to the accrual method, recognizing revenue when earned and expenses when liabilities are incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Agency has elected not to follow subsequent private-sector guidance.

Deposits and Investments

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain assets of the Agency are classified as restricted assets because they may be used only for such purposes specified by state statute and for landfill closure and post closure.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets include property, plant, and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than $20,000 for building assets and $10,000 for the remaining assets, and an estimated useful life of more than a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	40 to 125
Improvements other than buildings	15 to 50
Machinery and equipment	2 to 30

Compensated Absences

The Agency allows employees to accumulate a limited amount of earned, but unused, vacation and sick pay benefits. Such benefits are accrued when earned and are reported as liabilities.

Net Assets

Restricted net assets represent outside third-party restrictions and amounts restricted for minority interest of the Agency. The Agency is restricted to using certain amounts for purposes specified by state statute. The net assets restricted for minority interest is calculated at 22.7% of unrestricted net assets, based on the 1976 revenue bond resolution authorizing the issuance of revenue bonds for the construction of the landfill.

Operating and Non-Operating Revenues and Expenses

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 a proprietary fund's principal ongoing operations. The principal operating revenues of Agency are charges to customers for sale and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and accompany notes. Actual results may differ from those estimates.

NOTE 2 – CASH ON HAND, DEPOSITS, AND INVESTMENTS

Cash on hand represents authorized change funds and petty cash funds used for current operating purposes. The carrying amount at year-end was $800.

The carrying amount of deposits was $10,105,913 and the bank balance was $10,377,823.

The Dubuque Metropolitan Area Solid Waste Agency is authorized by state 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 City Council; 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. The Agency had no investments at June 30, 2012, or during the year.

Interest Rate Risk: The Agency's investment policy limits the investments 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 instruments 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 investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Agency did not invest in any commercial paper or other corporate debt during the year.

Concentration of Credit Risk: The Agency's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Agency held no such investments during the year.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's deposits are 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.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency held no investments during the year.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,586,092	$ 1,190,125	$ -	$ 2,776,217
Construction in progress	-	299,300	-	299,300
Total capital assets, not being depreciated	1,586,092	1,489,425	-	3,075,517
Capital assets, being depreciated:				
Buildings	65,922	-	-	65,922
Improvements other than buildings	6,364,906	-	-	6,364,906
Machinery and equipment	3,801,218	108,084	-	3,909,302
Total capital assets, being depreciated	10,232,046	108,084	-	10,340,130
Less accumulated depreciation for:				
Buildings	(47,944)	(719)	-	(48,663)
Improvements other than buildings	(5,631,921)	(215,314)	-	(5,847,235)
Machinery and equipment	(1,698,783)	(391,137)	-	(2,089,920)
Total accumulated depreciation	(7,378,648)	(607,170)	-	(7,985,818)
Total capital assets, being depreciated, net	2,853,398	(499,086)	-	2,354,312
Capital assets, net	$ 4,439,490	$ 990,339	$ -	$ 5,429,829

NOTE 4 – LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the Agency to place a final cover on each cell of its landfill site when filled and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post closure care costs will be paid only near or after the date that each cell stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date. The $4,106,246 reported as landfill closure and post closure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of cells 1, 2, 3, and 4, the use of 98% of the estimated capacity of cells 5, 6, 7, and 8. The Agency will recognize the remaining estimated cost of closure and post closure care of $49,654 as the remaining capacity is filled.

These amounts are based on what it would cost to perform all closure and post closure care in 2012. The Agency expects to close cells 5, 6, 7, and 8 in 2014. The Agency is making plans to construct a second generation of cells to extend the life of the landfill to 2050. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Agency has begun to accumulate resources to fund these costs in accordance with state and federal financial assurance requirements. At June 30, 2012, funds have been restricted for closure and post closure costs in the amount of $4,155,900.

NOTE 5 – PENSION AND RETIREMENT BENEFITS

The Dubuque Metropolitan Area Solid Waste 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 were required to contribute 5.38% of their annual covered salary and the Agency was required to contribute 8.07% of annual covered payroll during year ended June 30, 2012. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010, were, $53,494, $41,775, and $41,243 respectively, equal to the required contributions for each year.

NOTE 6 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance purchased from independent third parties and it participates in a local government risk pool. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

The City of Dubuque has established a Health Insurance Reserve Fund for insuring benefits provided to City employees and covered dependents, which is included in the Internal Service Fund Type. Health benefits were self-insured up to an individual stop-loss amount of $100,000 and an aggregate stop-loss of $8,488,183 for 2012. Coverage from a private insurance company is maintained for losses in excess of the stop-loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

The City of Dubuque has established a Workers' Compensation Reserve Fund for insuring benefits provided to City employees which is included in the Internal Service Fund Type. Workers' compensation benefits were self-insured up to a specific stop-loss amount of $500,000, and an aggregate stop-loss consistent with statutory limits for 2012. Coverage from a private insurance company is maintained for losses in excess of the stop-loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the last three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense. The City purchases private insurance to include sworn Police Officers and Fire Fighters medical claims under a self insured retention of $600,000 for each accident.

The Agency participates in both programs and makes payments to the Health Insurance Reserve Fund and the Workers' Compensation Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The Agency's annual contributions to the Health Insurance Reserve Fund were $92,400 and the contributions to the Worker's Compensation Reserve Fund were $69,868 for the year ended June 30, 2012.

The Agency is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 668 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. The Agency acquires automobile physical damage coverage through the Pool. All other property, inland marine, and boiler/machinery insurance are acquired through commercial insurance. There have been no reductions in insurance coverage from prior years.

Each member'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. Capital contributions are made during the first six years of membership and are maintained not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool 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 has property insurance in addition to the Pool.

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2012, were $27,841.

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. Excess coverage is provided for claims exceeding $350,000 under various reinsurance agreements. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's Iowa Risk Management Agreement 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, 2012, 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 through the Iowa Risk Management Agreement 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 operating contribution which the withdrawing member would have made for the one-year period following withdrawal and any previous Cumulative Reserve Fund distributions.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Agency participates in the City of Dubuque's retiree benefit plan. The Agency's portion of the net OPEB obligation at June 30, 2012, is $48,556. Information for the entire plan is as follows.

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* prospectively during the year ended June 30, 2009.

Plan Description – The City operates a single-employer retiree benefit plan which provides postemployment benefits for eligible participants enrolled in the City-sponsored plans, which include the employees of the Dubuque Metropolitan Area Solid Waste Agency (a component unit). The Plan does not issue a stand-alone financial report. The benefits are provided in the form of:

An implicit rate subsidy where pre-65 retirees receive health insurance coverage by paying a combined retiree/active rate for the self-insured medical and prescription drug plan.

An explicit rate subsidy exists since the City pays the full cost of a $1,000 policy in the fully-insured life insurance plan.

To be eligible for the health insurance coverage, retirees must be at least 55 years old, have completed 4 years of service, and be vested with either the Iowa Public Employees' Retirement System (IPERS) or the Municipal Fire and Police Retirement System of Iowa (MFPRSI). In addition to the health eligibility coverage requirements, one must have belonged to a bargaining group to be eligible for life insurance benefits. There are approximately 522 active and 36 retired members in the plan.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$ 570,443
Interest on net OPEB obligation	118,808
Adjustment to annual required contribution	(105,247)
Annual OPEB cost	584,004
Contributions made, net of Retiree contributions	201,200
Increase in net OPEB obligation	382,804
Net OPEB obligation, beginning of year	2,376,162
Net OPEB obligation, end of year	$ 2,758,966

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the City paid $549,234 for retiree claims. Plan members eligible for benefits contributed $348,034 or 100% of the premium costs. The net resulted in City contributions of $201,200.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 584,004	34.45%	$ 2,758,965
June 30, 2011	$ 581,536	25.6%	$ 2,376,162
June 30, 2010	$ 945,000	(8.3%)	$ 1,943,740

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was $5,481,802, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $5,481,802. The covered payroll (annual payroll of active employees covered by the plan) was approximately $31,183,497 and the ratio of the UAAL to covered payroll was 17.6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010, actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the City's funding policy. The projected annual medical trend inflation rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1.0% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were developed consistent with the City's experience and the IPERS and MFPRSI retirement patterns. Annual turnover rates were based on Scale T-2 of the actuary's pension handbook.

Projected claim costs of the medical plan are $8,440 per year for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of pay on an open basis over 30 years.

NOTE 8 – COMMITMENTS

On June 20, 2012, the Agency signed a contract to begin new cell construction and other improvements in FY'13 for $3,000,000.

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2010	07/01/08	$ -	$9,117,000	$9,117,000	0.0%	$ 31,430,000	29.0%
2011	07/01/10	$ -	$5,481,802	$5,481,802	0.0%	$ 29,790,517	18.4%
2012	07/01/10	$ -	$5,481,802	$5,481,802	0.0%	$ 31,183,497	17.6%

The Agency participates in the City of Dubuque's retiree benefit plan. The above information is for the entire plan. See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	Operating Fund	Planning Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash investments	$ 5,605,405	$ -	$ 5,605,405
Receivables			
Accounts	270,943	-	270,943
Accrued Interest	4,839	-	4,839
Prepaid items	14,118	-	14,118
Due from planning fund	24,513	-	24,513
Total Current Assets	5,919,818	-	5,919,818
NONCURRENT ASSETS			
Temporarily restricted cash and cash investments			
For landfill closure and post closure care	4,155,900	-	4,155,900
By state statute	-	345,408	345,408
Total temporarily restricted cash and cash investments	4,155,900	345,408	4,501,308
Capital Assets			
Land	2,776,217	-	2,776,217
Buildings	65,922	-	65,922
Improvements other than buildings	6,364,906	-	6,364,906
Machinery and equipment	3,909,301	-	3,909,301
Construction in progress	299,300	-	299,300
Accumulated depreciation	(7,985,818)	-	(7,985,818)
Net Capital Assets	5,429,828	-	5,429,828
Total Noncurrent Assets	9,585,728	345,408	9,931,136
Total Assets	15,505,546	345,408	15,850,954
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	119,622	-	119,622
Accrued payroll	13,731	-	13,731
Accrued compensated absences	535	-	535
Intergovernmental payable	61,475	-	61,475
Due to operating fund	-	24,513	24,513
Total Current Liabilities	195,363	24,513	219,876
NONCURRENT LIABILITIES			
Landfill closure and post closure care	4,106,246	-	4,106,246
Accrued compensated absences	277,862	-	277,862
Net OPEB liability	48,556	-	48,556
Total Noncurrent Liabilities	4,432,664	-	4,432,664
Total Liabilities	4,628,027	24,513	4,652,540
NET ASSETS			
Invested in capital assets	5,429,829	-	5,429,829
Restricted by state statute	-	345,408	345,408
Restricted for minority interest	1,231,061	-	1,231,061
Unrestricted	4,216,630	(24,513)	4,192,117
Total Net Assets	$ 10,877,520	$ 320,895	$ 11,198,415

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Operating Fund	Planning Fund	Total
OPERATING REVENUES			
Charges for sales and services	$ 4,100,388	$ -	$ 4,100,388
OPERATING EXPENSE			
Employee expense	1,098,055	-	1,098,055
Utilities	47,054	-	47,054
Repairs and maintenance	233,971	-	233,971
Supplies and services	1,659,850	-	1,659,850
Insurance	62,689	-	62,689
Closure and post closure care	267,238	-	267,238
Depreciation	607,170	-	607,170
Total Operating Expenses	3,976,027	-	3,976,027
OPERATING INCOME	124,361	-	124,361
NONOPERATING REVENUES			
Intergovernmental	24,499	-	24,499
Investment earnings	32,277	-	32,277
Total Non-Operating Revenues	56,776	-	56,776
INCOME BEFORE TRANSFERS	181,137	-	181,137
TRANSFERS IN	94,044	187,618	281,662
TRANSFERS OUT	(187,618)	(94,044)	(281,662)
CHANGE IN NET ASSETS	87,563	93,574	181,137
NET ASSETS, BEGINNING	10,789,957	227,321	11,017,278
NET ASSETS, ENDING	$ 10,877,520	$ 320,895	$ 11,198,415

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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 Dubuque Metropolitan Area
Solid Waste Agency Board

We have audited the financial statements of the Dubuque Metropolitan Area Solid Waste Agency (Agency), a component unit of the City of Dubuque, Iowa, as of and for the year ended June 30, 2012, which comprise the Agency's basic financial statements and have issued our report thereon dated December 18, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance 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, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency and are reported in Part I of the accompanying Schedule of Findings. 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 is intended solely for the information and use of the management, Agency officials, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa
December 18, 2012

Part I: Other Findings Related to Required Statutory Reporting:

I-A-12 **Questionable Expenditures** – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

I-B-12 **Travel Expense** – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

I-C-12 **Business Transactions** – No transactions between the Agency and its officials and/or employees were noted.

I-D-12 **Bond Coverage** – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

I-E-12 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

I-F-12 **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

I-G-12 **Solid Waste Tonnage Fees Retained** – No instances of noncompliance with solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

I-H-12 **Financial Assurance** – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in 567-113.14(6) of the Iowa Administrative Code.

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CPAs & BUSINESS ADVISORS

December 18, 2012

To the Dubuque Metropolitan Area Solid Waste Agency Board
City of Dubuque, Iowa

We have audited the financial statements of the Dubuque Metropolitan Area Solid Waste Agency (Agency), a component unit of the City of Dubuque, Iowa, for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were:

Management's estimate of the landfill closure and postclosure care liability is based on third-party engineering cost studies and capacity estimates. We evaluated the key factors and assumptions used to develop the landfill closure and postclosure care liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of other postemployment benefits liability is based on a calculation of actuarially determined contributions for health insurance benefits. We evaluated the key factors and assumptions used to develop other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The misstatement detected as a result of the audit procedures was corrected by management and was not material to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the officials, and management of the Dubuque Metropolitan Area Solid Waste Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

EIDE BAILLY LLP

Eide Bailly LLP