

Southeast Iowa Multi-County Solid Waste Management Agency

**Independent Auditor's Reports
Management's Discussion and Analysis
Basic Financial Statements
Schedule of Findings and Responses**

June 30, 2012

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**Southeast Iowa Multi-County Solid Waste Management Agency
Officials
June 30, 2012**

Name	Title	Representing
Richard Reed	Chairperson	Jefferson County
Jim Miksch	Secretary/Treasurer	Washington County
Michael Hadley	Vice Chairperson	Keokuk County
Martha Rasmussen	Member	Jefferson County
Brent Gilliland	Member	Keokuk County
Sandra Johnson	Member	Washington County
Bill Sloop	Manager	



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

Independent Auditor's Report

Members

Southeast Iowa Multi-County Solid Waste Management Agency
Richland, Iowa

We have audited the accompanying financial statements of Southeast Iowa Multi-County Solid Waste Management Agency as of and for the year ended June 30, 2012. 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than 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 modified cash basis financial position of Southeast Iowa Multi-County Solid Waste Management Agency as of June 30, 2012, and the changes in its modified cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012 on our consideration of Southeast Iowa Multi-County Solid Waste Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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.

Our audit was conducted for the purpose of forming an opinion on Southeast Iowa Multi-County Solid Waste Management Agency's basic financial statements. Management's Discussion and Analysis on pages 3 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information 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.

CPA Associates PC

November 29, 2012

Southeast Iowa Multi-County Solid Waste Management Agency Management's Discussion and Analysis

Southeast Iowa Multi-County Solid Waste Management Agency (Agency) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Agency is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2011 Financial Highlights

- The Agency's operating revenues increased 5%, or \$75,735, from fiscal 2011 to fiscal 2012.
- Operating disbursements increased 7%, or \$66,804 from fiscal 2011 to fiscal 2012.
- The Agency's net assets increased 7%, or \$383,438 from fiscal 2011 to fiscal 2012.

Using This Annual Report

The Agency has elected to present its financial statements on the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues and expenses and the related assets and liabilities. Under the Agency's modified cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions, and investments are carried at amortized cost.

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

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

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The annual report consists 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 - Modified Cash Basis presents information on the Agency's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.
- The Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, nonoperating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

**Southeast Iowa Multi-County Solid Waste Management Agency
Management's Discussion and Analysis**

Financial Analysis of the Agency

Statement of Net Assets - Modified Cash Basis

The Statement of Net Assets - Modified Cash Basis presents the assets and net assets of the Agency at the end of the fiscal year. The Statement of Net Assets - Modified Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Agency to the readers of the financial statements. Over time, readers of the financial statements are able to determine the Agency's financial position by analyzing the increases and decreases in net assets.

Assets and Net Assets - Modified Cash Basis		
	June 30,	
	2012	2011
Assets		
Cash and cash equivalents	\$ 4,044,637	\$ 4,013,116
Investments	399,544	374,710
Restricted cash and cash equivalents	1,715,612	1,319,838
Restricted investments	<u>112,005</u>	<u>180,696</u>
Total assets	<u>\$ 6,271,798</u>	<u>\$ 5,888,360</u>
Net Assets		
Restricted for:		
Closure and postclosure	\$ 1,827,617	\$ 1,500,534
Unrestricted	<u>4,444,181</u>	<u>4,387,826</u>
Total net assets	<u>\$ 6,271,798</u>	<u>\$ 5,888,360</u>

The Agency has restricted 29% of its net assets for closure and postclosure expenditures. State and federal laws and regulations require the Agency to place final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets are unrestricted and can be used to meet the Agency's obligations as they come due. Restricted net assets increased \$327,083, or 22%, during the year. Unrestricted net assets increased \$56,355, or 1%, during the year.

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

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

Operating receipts are received for gate fees from accepting solid waste. Operating disbursements are paid to operate the landfill. Nonoperating receipts and disbursements are for interest on investments, grant reimbursements, land or equipment purchases and capital projects.

**Southeast Iowa Multi-County Solid Waste Management Agency
Management's Discussion and Analysis**

A summary of receipts, disbursements and changes in modified cash basis net assets for the years ended June 30, 2012 and 2011 is presented below:

Changes in Modified Cash Basis Net Assets		
	Year ended June 30,	
	2012	2011
Operating receipts:		
Solid waste fees	\$ <u>1,562,940</u>	\$ <u>1,487,205</u>
Operating disbursements:		
Landfill manager salary and benefits	76,387	72,725
Landfill operator contract	320,250	320,305
Iowa Department of Natural Resources tonnage fee	52,021	41,039
Household hazardous waste and disposal costs	10,640	9,190
Engineering and testing	65,087	124,138
Landfill site management	137,492	74,430
Landfill disposal costs	7,113	3,732
Leachate management	259,111	234,174
Other operating expenses	<u>59,800</u>	<u>41,364</u>
Total operating disbursements	<u>987,901</u>	<u>921,097</u>
Excess of operating receipts over operating disbursements	<u>575,039</u>	<u>566,108</u>
Nonoperating receipts (disbursements):		
Interest income	69,174	90,220
Other income	3,322	56,312
Land purchase	(75,902)	-
New cell development	<u>(223,338)</u>	<u>(409,068)</u>
Nonoperating receipts (disbursements), net	<u>(226,744)</u>	<u>(262,536)</u>
Increase in cash	348,295	303,572
Amortization of marketable debt securities	<u>35,143</u>	<u>36,545</u>
Increase in modified cash basis net assets	383,438	340,117
Modified cash basis net assets, beginning	<u>5,888,360</u>	<u>5,548,243</u>
Modified cash basis net assets, ending	<u>\$ 6,271,798</u>	<u>\$ 5,888,360</u>

In fiscal 2012, operating receipts increased by \$75,735, or 5%. The increase was the result of receiving increased tonnage of wood wastes, sand and dirt materials. Operating disbursements increased by \$66,804, primarily due to increases in IDNR tonnage fees, landfill site management, leachate management and other operating expenses. Non-operating disbursements exceeded receipts by \$226,744 in fiscal 2012 primarily due to expenditures for new cell development and the purchase of land.

Southeast Iowa Multi-County Solid Waste Management Agency Management's Discussion and Analysis

Long-Term Debt

At June 30, 2012, the Agency had no long term debt outstanding.

Economic Factors

The Agency's financial position improved during the current fiscal year. However, the current condition of the economy in Iowa continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Regulations related to new cell development will require the Agency to bear additional costs, including costs related to engineering, gas monitoring wells and leachate management.
- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constant changes to closure and postclosure cost estimates and to the number of tons of solid waste received at the facility.

The Agency anticipates 2013 will present some new challenges and opportunities and management 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 Southeast Iowa Multi-County Solid Waste Management Agency, Richland, Iowa.

Southeast Iowa Multi-County Solid Waste Management Agency
Statement of Net Assets - Modified Cash Basis
June 30, 2012

Assets

Cash and cash equivalents	\$ 4,044,637
Investments	399,544
Restricted cash and cash equivalents	1,715,612
Restricted investments	<u>112,005</u>
Total assets	<u>\$ 6,271,798</u>

Net Assets

Restricted for:	
Closure and postclosure	\$ 1,827,617
Unrestricted	<u>4,444,181</u>
Total net assets	<u>\$ 6,271,798</u>

See notes to financial statements.

Southeast Iowa Multi-County Solid Waste Management Agency
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Net Assets
Year Ended June 30, 2012

Operating Receipts	
Solid waste fees	\$ <u>1,562,940</u>
Operating Disbursements	
Landfill manager salary and benefits	76,387
Landfill operator contract	320,250
Iowa Department of Natural Resources tonnage fee	52,021
Household hazardous waste and disposal costs	10,640
Insurance	3,019
Engineering and testing	65,087
Equipment maintenance	6,185
Vehicle expense	17,104
Landfill site management	137,492
Landfill disposal costs	7,113
Leachate management	259,111
Utilities	3,742
Office equipment, supplies and printing	2,767
Professional fees	12,116
Miscellaneous	<u>14,867</u>
Total operating disbursements	<u>987,901</u>
Excess of operating receipts over operating disbursements	<u>575,039</u>
Nonoperating Receipts (Disbursements)	
Interest income	69,174
Other income	3,322
Land purchase	(75,902)
New cell development	<u>(223,338)</u>
Net nonoperating disbursements	<u>(226,744)</u>
Net change in cash	348,295
Amortization of marketable debt securities	<u>35,143</u>
Net change in modified cash basis net assets	383,438
Modified cash basis net assets, beginning	<u>5,888,360</u>
Modified cash basis net assets, ending	\$ <u><u>6,271,798</u></u>
Modified Cash Basis Net Assets	
Restricted net assets	\$ 1,827,617
Unrestricted net assets	<u>4,444,181</u>
Total modified cash basis net assets	\$ <u><u>6,271,798</u></u>

See notes to financial statements.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Southeast Iowa Multi-County Solid Waste Management Agency (Agency) was formed in 1974 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities on behalf of units of government which are members of the Agency.

The governing body of the Agency is composed of representatives from each of the member counties. The board is appointed by the participating members and each has one vote. Member counties are Washington, Jefferson and Keokuk.

Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, account groups, 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 (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units that meet the GASB criteria.

Basis of Presentation

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

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

Basis of Accounting

The Agency maintains its financial records on the basis of modified cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The modified cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including estimated payables for closure and postclosure care. Accordingly, the financial statements do not present the financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America. Modifications to the cash basis of accounting include carrying investments in marketable debt securities at amortized cost.

Cash and Cash Equivalents

The Agency considers cash in banks, including repurchase agreements and certificates of deposit, to be cash equivalents.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Net Assets

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

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Cash and Investments

The Agency's deposits in banks 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 the depositors to insure there will be no loss of public funds.

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

Investments are carried at amortized cost of \$511,549 and consist of U.S. Treasury Bond stripped principal and interest payments with maturity dates ranging from August 15, 2012 to February 15, 2019. The investments have a fair value of \$631,948 at June 30, 2012.

Interest Rate Risk

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

Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's cash equivalents include a \$901,000 investment in repurchase agreements collateralized by obligations of the United States government, its agencies, and instrumentalities which are held by Federation Bank, not in the name of the Agency.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 3. Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2012, the Agency had no unspent tonnage fees.

Note 4. Closure and Postclosure Care Cost

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan 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.

GASB 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 due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be \$1,664,184 for closure and \$932,057 for postclosure, for a total of \$2,596,241 as of June 30, 2012. The estimated remaining life of the landfill is 25 years, with approximately 12.6 percent of the landfill's capacity used at June 30, 2012.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and, at June 30, 2012, cash equivalents and investments of \$1,827,617 are restricted for these purposes, of which \$1,026,208 is for closure and \$801,409 is for postclosure care. They are reported as restricted net assets in the Statement of Net Assets - Modified Cash Basis.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 4. Closure and Postclosure Care Cost (continued)

When the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs under Chapter 567-113.14 of the Iowa Administrative Code (IAC). The Agency has adopted the local government dedicated fund mechanism. Under this mechanism, the Agency 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.
- Annual deposits to the fund are determined as follows:

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

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

Chapter 567-114.8 of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanisms.

Note 5. Risk Management

The Southeast Iowa Multi-County Solid Waste Management Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by membership in a government risk-sharing pool, as allowed by Chapter 670.7 of the Code of Iowa.

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 members include various governmental entities throughout the State of Iowa. 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 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 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.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 5. Risk Management (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 disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2012 were \$525.

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 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 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty 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 employee dishonesty and forgery in the amount of \$300,000 and \$175,000, respectively. 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.

Southeast Iowa Multi-County Solid Waste Management Agency
Notes to Financial Statements

Note 6. Landfill Manager Salary and Benefits

The landfill is managed by an employee of Jefferson County, Iowa. The Agency reimburses Jefferson County for the salary and benefits of the landfill manager on a quarterly basis. Landfill manager salary and benefit reimbursements totaled \$76,387 for the year ended June 30, 2012.

Note 7. Landfill Site Operations and Maintenance Contract

The Agency entered into a contract with Winn J. Construction Company effective October 1, 2010 for operation of the landfill. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools and equipment necessary for operation, except for recycling responsibilities. For the year ended June 30, 2012, the contractor was paid \$320,250 for these services. The current contract expires October 1, 2015.

Note 8. Commitments

In the normal course of business, the Agency has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitment of the Agency at June 30, 2012 is the compaction incentive plan approved in March. An incentive payment of \$199,842 based on the annual airspace survey was approved on November 21, 2012.

Note 9. Subsequent Event

The Agency performed an evaluation of subsequent events through November 29, 2012, which is the date the financial statements were available to be issued. Subsequent to year end, the Agency approved a change to the landfill operator contract by including a compaction incentive payment which will be effective until the contract expires in 2015.



C P A A S S O C I A T E S P C
C E R T I F I E D P U B L I C A C C O U N T A N T S

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

**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***

Members
Southeast Iowa Multi-County Solid Waste Management Agency
Richland, Iowa

We have audited the accompanying financial statements of Southeast Iowa Multi-County Solid Waste Management Agency (Agency), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of 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.

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 and Responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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

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. 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 Agency's written responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

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

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

CPA Associates PC

November 29, 2012

Southeast Iowa Multi-County Solid Waste Management Agency
Schedule of Findings and Responses
Year Ended June 30, 2012

Findings Related to the Financial Statements

Internal Control Deficiency

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. Generally, the Agency has one individual who has control over the account billings, collections and deposits, for which no compensating controls exist.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - Existing personnel will be utilized to maximize additional control.

Conclusion - Response accepted.

Instances of Noncompliance

No material matters of noncompliance with financial requirements were noted.

Other Findings Related to Statutory Reporting

- (1) Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- (5) Solid Waste Fees Retainage - No instances on noncompliance with the the provisions of Chapter 455B310(2) of the Code of Iowa in the use or retainage of solid waste fees were noted.

**Southeast Iowa Multi-County Solid Waste Management Agency
Schedule of Findings and Responses
Year Ended June 30, 2012**

Other Findings Related to Statutory Reporting (continued)

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

	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 1,664,184	\$ 932,057
Less: Balance of funds held in the local dedicated fund at June 30, 2011	<u>731,787</u>	<u>768,747</u>
	932,397	163,310
Divided by the number of years remaining in the pay-in-period	<u>5</u>	<u>5</u>
Required payment into the local dedicated fund for the year ended June 30, 2012	186,479	32,662
Balance of funds held in the local dedicated fund at June 30, 2011	<u>731,787</u>	<u>768,747</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2012	<u>\$ 918,266</u>	<u>\$ 801,409</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2012	<u>\$ 1,026,208</u>	<u>\$ 801,409</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure fund be made at least yearly, and the deposits shall be made within 30 days of the close of the fiscal year. As the balance restricted and reserved for closure and postclosure care exceeds the funds required to be held at June 30, 2012, no payment into the local dedicated fund is required.