

Des Moines County Regional Solid Waste Commission

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

June 30, 2012

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**Des Moines County Regional Solid Waste Commission
Commission Members
June 30, 2012**

<u>Member</u>	<u>Representing</u>
Jim Ferneau	Burlington
Don Fitting	Burlington
Becky Anderson	Burlington
Hans Trousil	West Burlington
Leroy Lippert	Danville
Paul Lorber	New London
Julie Tribbey	Mediapolis
Tom Broeker	Des Moines County
Brent Schleisman	Mt. Pleasant
No representative	Morning Sun
Larry Jennings	Winfield
No representative - planning member	Middletown
No representative - planning member	Salem
No representative - planning member	Mt. Union
No representative - planning member	Westwood
No representative - planning member	Rome



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Independent Auditor's Report

Commission Members
Des Moines County Regional Solid Waste Commission
Burlington, Iowa

We have audited the accompanying financial statements of Des Moines County Regional Solid Waste Commission (Commission) as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Commission's 2011 financial statements and, in our report dated November 8, 2011, we expressed an unqualified opinion on those financial statements.

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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2012, and the changes in its financial position and its 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 November 8, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be present 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

inquires, 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 an opinion on the financial statements that collectively comprise the Commission's financial statements as a whole. The supplementary information included on page 25 is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates 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 financial statements as a whole.

CPA Associates PC

November 8, 2012

Des Moines County Regional Solid Waste Commission Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues increased 2%, or \$81,526, from fiscal year 2011 to fiscal year 2012.
- Operating expenses decreased \$109,709 from fiscal year 2011 to fiscal year 2012. Most of this decrease is attributable to lower leachate control and closure and postclosure care costs.
- The Commission's net assets increased \$260,733 from fiscal 2011 to fiscal 2012.
- The Commission issued \$2,025,000 Solid Waste Revenue Bonds in order to receive debt service savings related to the refunding of the previous \$3,085,000 General Obligation Loan Notes by Des Moines County.
- Capital expenditures in fiscal 2012 included a new loader, design and construction costs for the Leachate Evaporation project, a new access road, as well as continued construction costs on West Lagoon Header and other cells that commenced in prior year.

USING THIS ANNUAL REPORT

The Des Moines County Regional Solid Waste Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, nonoperating revenues and expenses, and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

**Des Moines County Regional Solid Waste Commission
Management's Discussion and Analysis**

- The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets totaled \$8,305,026 at June 30, 2012, a \$260,733 increase from 2011.

A summary of the Commission's net assets at June 30, 2012 and 2011 is shown below:

	2012	2011
Assets:		
Current assets	\$ 2,946,723	\$ 3,066,940
Noncurrent assets	80,337	55,275
Restricted CD and investments	1,756,177	1,642,112
Capital assets, less accumulated depreciation	<u>8,802,731</u>	<u>8,260,828</u>
Total assets	<u>13,585,968</u>	<u>13,025,155</u>
Liabilities:		
Current liabilities	530,542	632,189
Noncurrent liabilities	<u>4,750,400</u>	<u>4,348,673</u>
Total liabilities	<u>5,280,942</u>	<u>4,980,862</u>
Net Assets:		
Invested in capital assets, net of related debt	4,189,141	3,960,737
Restricted	1,269,192	1,231,441
Unrestricted	<u>2,846,693</u>	<u>2,852,115</u>
Total net assets	<u>\$ 8,305,026</u>	<u>\$ 8,044,293</u>

Net assets invested in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets, represents resources allocated to capital assets. The Commission also has net assets that are restricted for closure and postclosure care and for future bond principal and interest payments. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

**Des Moines County Regional Solid Waste Commission
Management's Discussion and Analysis**

Summary of Operations and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste, waste management fees from member governments, fees for acceptance of household hazardous waste, and from the sale of recyclable materials collected. Operating expenses are paid to operate the landfill, recycling and household hazardous waste programs. Nonoperating revenues and expenses are investment return and other miscellaneous income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

A summary of revenues, expenses and changes in net assets for the years ended June 30, 2012 and 2011 is presented below:

	2012	2011
Operating revenue:		
Gate receipts	\$ 2,344,651	\$ 2,304,436
Recycling	392,370	390,820
Waste management fees	720,409	695,631
Other	<u>65,836</u>	<u>50,853</u>
Total operating revenue	<u>3,523,266</u>	<u>3,441,740</u>
Operating expenses:		
Salaries and benefits	1,245,607	1,219,399
Repairs and maintenance	202,301	207,969
Insurance	78,320	79,620
Regulatory assistance and leachate control	288,546	396,937
Garbage and drop-off collection	20,879	19,738
Wood grinding and tire disposal	10,686	30,208
Utilities	40,606	49,583
Telephone	8,460	9,157
Supplies, furniture and equipment	201,627	207,110
Contract service	70,847	34,726
DNR tonnage fees	109,793	114,935
Travel and training	13,853	17,141
Recycling rebates	87,987	88,464
Depreciation	683,635	676,901
Landfill closure and postclosure care	106,314	125,439
Other	<u>38,294</u>	<u>40,137</u>
Total operating expenses	<u>3,207,755</u>	<u>3,317,464</u>
Operating income	315,511	124,276
Nonoperating revenues/(expenses), net	<u>(54,778)</u>	<u>(16,248)</u>
Change in net assets	260,733	108,028
Net assets, beginning of year	<u>8,044,293</u>	<u>7,936,265</u>
Net assets, end of year	<u>\$ 8,305,026</u>	<u>\$ 8,044,293</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in the net assets at the end of the fiscal year.

Des Moines County Regional Solid Waste Commission Management's Discussion and Analysis

In fiscal year 2012, operating revenues increased by \$81,526, or 2%. Operating expenses decreased \$109,709, due to a decrease in leachate control and related closure and postclosure care costs required by state permit rules.

Nonoperating expenses (net) increased by \$38,530 in fiscal year 2012, primarily due to the increase in interest expense.

Statement of Cash Flows

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

CAPITAL ASSETS

At June 30, 2012, the Commission had \$8,802,731 invested in capital assets, net of accumulated depreciation of \$5,564,098. Depreciation charges totaled \$683,635 for fiscal year 2012. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

LONG-TERM LIABILITIES

At June 30, 2012, the Commission had \$4,613,590 in debt outstanding, an increase of \$313,499 from 2011. The debt consists of loans payable to Des Moines County and to the Iowa Department of Natural Resources for Solid Waste Alternatives Program projects as well as draws on the \$4,226,000 State Revolving Loan Funds Revenue Bond from the Iowa Finance Authority that was issued on July 7, 2010. The Commission also has a loan payable to a community bank related to lighting purchased for the facility as a result of an energy efficient study performed by Alliant Energy company. The Commission has also recorded a liability of \$486,985 for closure and postclosure care costs, a \$106,314 increase from 2011. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

ECONOMIC FACTORS

Des Moines County Regional Solid Waste Commission was able to improve its financial position during the current fiscal year, however the Commission continues to face several challenges, such as:

- Increasing regulatory burden that, combined with less predictable interpretation and implementation of rules by state regulators, is likely to require more frequent adjustments to construction activities and schedules.
- Facilities at the Commission requiring constant maintenance and upkeep.
- Technology continuing to expand and current technology becoming outdated, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.

**Des Moines County Regional Solid Waste Commission
Management's Discussion and Analysis**

- Annual required deposits to closure and postclosure accounts are based on constantly changing estimates, the number of tons of solid waste received at the facility, and fluctuations in the fair value of long term investments.

The Commission anticipates the current fiscal year will see the further clarification of new state landfill regulations, which will add expense to both operations and construction.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members' citizens and taxpayers, and the Commission's customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Des Moines County Regional Solid Waste Commission, 1818 West Burlington Avenue, Burlington, Iowa 52601.

Des Moines County Regional Solid Waste Commission
Statement of Net Assets
June 30, 2012

Assets

Current assets:

Cash and cash equivalents	\$ 1,119,528
Certificates of deposit	1,569,634
Accounts receivable	234,191
Prepaid expenses	11,049
Accrued interest income	6,493
Inventory, at cost	<u>5,828</u>
Total current assets	<u>2,946,723</u>

Noncurrent assets:

Bond issue costs, net of accumulated amortization	80,337
Certificates of deposit restricted for loan reserve fund	308,500
Certificates of deposit, restricted for closure and postclosure	61,151
Investments restricted for closure and postclosure, at fair value	1,386,526
Capital assets, net of accumulated depreciation	<u>8,802,731</u>
Total noncurrent assets	<u>10,639,245</u>

Total assets	<u>13,585,968</u>
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Liabilities

Current liabilities:

Accounts payable	85,880
Accrued expenses	67,958
Accrued termination benefits	16,824
Loan payable	<u>359,880</u>
Total current liabilities	<u>530,542</u>

Long-term liabilities:

Loans payable, net of current portion	4,253,710
Net OPEB liability	2,421
Accrued termination benefits, net of current portion	7,284
Landfill closure and postclosure care	<u>486,985</u>
Total noncurrent liabilities	<u>4,750,400</u>

Total liabilities	<u>5,280,942</u>
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Net Assets

Invested in capital assets, net of related debt	4,189,141
Restricted for:	
Closure and postclosure care, net of related long-term liability	960,692
Loan reserve fund	308,500
Unrestricted	<u>2,846,693</u>
Total net assets	<u>\$ 8,305,026</u>

See notes to financial statements.

**Des Moines County Regional Solid Waste Commission
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012 with Comparative Totals for 2011**

	2012	2011 Comparative Totals
Operating revenues		
Gate receipts	\$ 2,344,651	\$ 2,304,436
Drop-off reimbursement	17,003	16,537
Recycling	392,370	390,820
Hazardous waste fees and reimbursements	48,833	34,316
Waste management fees	<u>720,409</u>	<u>695,631</u>
Total operating revenues	<u>3,523,266</u>	<u>3,441,740</u>
Operating expenses		
Salaries	848,492	846,839
Payroll taxes	139,671	123,539
Employee benefits	257,444	249,021
Workers' compensation insurance	34,799	38,270
Safety	11,462	13,759
Inspection and regulatory assistance	57,608	71,381
Garbage and drop-off collection	20,879	19,738
Wood grinding and tire disposal	10,686	30,208
Leachate control and well sampling	230,938	325,556
Repairs and maintenance	202,301	207,969
Utilities	40,606	49,583
Telephone	8,460	9,157
Insurance	43,521	41,350
Supplies	198,025	203,618
Advertising and public education	25,984	24,570
Equipment and equipment rent	3,602	3,492
Contract service	70,847	34,726
DNR tonnage fees	109,793	114,935
Shipping	840	900
Travel and training	13,853	17,141
Sales tax	8	908
Recycling rebates	87,987	88,464
Depreciation	683,635	676,901
Landfill closure and postclosure care	44,718	44,026
Change in closure and postclosure care estimate	<u>61,596</u>	<u>81,413</u>
Total operating expenses	<u>3,207,755</u>	<u>3,317,464</u>
Operating income	<u>315,511</u>	<u>124,276</u>
Nonoperating revenues (expenses)		
Investment return	31,485	32,581
Investment return restricted for closure and postclosure care	82,913	58,858
Interest expense	(170,398)	(144,463)
'Recycled 2 You' net sales (costs)	249	492
Gain/(loss) on sale of equipment	35,840	(104,245)
Grant income	-	133,663
Miscellaneous income (expense)	<u>(34,867)</u>	<u>6,866</u>
Net nonoperating revenues (expenses)	<u>(54,778)</u>	<u>(16,248)</u>
Change in net assets	260,733	108,028
Net assets, beginning of year	<u>8,044,293</u>	<u>7,936,265</u>
Net assets, end of year	<u>\$ 8,305,026</u>	<u>\$ 8,044,293</u>

See notes to financial statements.

Des Moines County Regional Solid Waste Commission
Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities	
Cash received from gate fees	\$ 2,399,571
Cash received from waste management fees	716,045
Cash received from other operating receipts	423,317
Cash payments to suppliers for goods and services	(1,270,009)
Cash payments to employees for services	<u>(1,269,473)</u>
Net cash provided by operating activities	<u>999,451</u>
Cash Flows from Noncapital Financing Activities	
Other receipts	<u>67,386</u>
Net cash provided by noncapital financing activities	<u>67,386</u>
Cash Flows from Capital and Related Financing Activities	
Cash received from grants	48,558
Loan proceeds	631,563
Principal payments on loans	(358,064)
Interest payments on loans	(154,387)
Purchase of capital assets	<u>(1,189,698)</u>
Net cash used by capital and related financing activities	<u>(1,022,028)</u>
Cash Flows from Investing Activities	
Redemption of certificates of deposit and investments	250,987
Purchase of certificates of deposit and investments	(589,934)
Interest income	<u>31,828</u>
Net cash used by investing activities	<u>(307,119)</u>
Net decrease in cash and cash equivalents	(262,310)
Cash and cash equivalents, beginning of year	<u>1,381,838</u>
Cash and cash equivalents, end of year	<u>\$ 1,119,528</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	<u>\$ 315,511</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	683,635
Changes in assets and liabilities:	
Decrease in accounts receivable	15,667
Decrease in prepaid expenses	(316)
Decrease in inventory	(554)
Increase in accounts payable and net OPEB liability	(95,868)
Increase in accrued expenses	(24,938)
Landfill closure and postclosure care accrual	<u>106,314</u>
Total adjustments	<u>683,940</u>
Net cash provided by operating activities	<u>\$ 999,451</u>
Supplemental Disclosure of Noncash Financing Activities	
Bond issue costs financed through loan payable	\$ 40,000

See notes to financial statements.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

The Des Moines County Regional Solid Waste Commission (Commission) was formed in 1990 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Des Moines County and to provide member cities and counties with solid waste disposal and resource recovery projects.

The Commission is composed of thirteen member cities and Des Moines County. The member cities are Burlington, West Burlington, Middletown, Danville, New London, Mediapolis, Salem, Mt. Pleasant, Morning Sun, Mt. Union, Winfield, Westwood and Rome. The Commission Board is comprised of representatives appointed by each political subdivision (Commission member) to be represented. Each member is entitled to one representative; except for Burlington, which is entitled to three representatives; and Middletown, Salem, Mt. Union, Westwood, and Rome, which have elected to be planning members and have not appointed a representative.

The Commission's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

For financial reporting purposes, the Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission 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 Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The 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 Entity 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 Entity. The Commission has no component units which meet the GASB criteria.

Basis of Presentation

The accounts of the Commission are primarily organized as an Enterprise Fund. Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Assets

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

Cash and Cash Equivalents - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2012 included certificates of deposit totaling \$1,939,285.

Accounts Receivable - Accounts receivable at June 30, 2012 consist of receivables for landfill fees, recycling fees, grants, waste management fees and reimbursements.

Inventory - Inventory is accounted for at the lower of cost or market, using the first-in, first-out method.

Restricted Certificates of Deposit and Investments - Certificates of deposit set aside for the Commission's loan reserve fund obligation and for payment of closure and postclosure care costs are classified as restricted. Investments set aside for payment of closure and postclosure care costs are classified as restricted.

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

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued) - Capital assets are defined by the Commission as assets with initial cost in excess of \$2,500 and an estimated useful life in excess of one year. Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Building	7-50 years
Equipment, furniture and fixtures	3-20 years
Landfill expansion/improvement	5-26 years

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation is reported as an accrued expense and has been computed based on rates of pay in effect at June 30, 2012.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2011

The financial information for the year ended June 30, 2011, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Subsequent Events

The Commission performed an evaluation of subsequent events through November 8, 2012, which is the date the financial statements were issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2012.

Note 2. Cash and Investments

The Commission'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 Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities, which include the following: certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; 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 reported at fair value, which is the last reported sales price.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 2. Cash and Investments (continued)

The Commission's investments are categorized to give an indication of the level of risk assumed by the Commission at year end. The Commission's investments are all category 1, which means that the investments are insured or registered or the securities are held by the Commission or its agent in the Commission's name.

At June 30, 2012, the Commission has invested in certificates of deposit as follows:

Danville Savings Bank	1.50 %	maturing 7/5/2012	\$ 157,710
Danville Savings Bank	1.75 %	maturing 12/2/2012	334,219
Danville Savings Bank	1.25 %	maturing 4/25/2013	264,571
Danville Savings Bank	1.25 %	maturing 7/11/2013	220,987
Danville Savings Bank	2.26 %	maturing 10/9/2012	364,170
Two Rivers Bank & Trust	1.35 %	maturing 7/28/2013	131,633
Two Rivers Bank & Trust	0.45 %	maturing 6/29/2013	61,151
Two Rivers Bank & Trust	0.60 %	maturing 10/5/2012	253,902
Two Rivers Bank & Trust	1.25 %	maturing 11/28/2012	<u>150,942</u>
			<u>\$ 1,939,285</u>
Restricted certificates of deposit			\$ 369,651
Unrestricted certificates of deposit			<u>1,569,634</u>
			<u>\$ 1,939,285</u>

At June 30, 2012, the Commission held investments in U.S. Treasury Bond and Financing Corporation Zero Coupon stripped interest payments, restricted for closure and postclosure financial assurance, as follows:

U.S. Treasury Bond stripped interest payment, maturing August 15, 2016	\$ 842,932
Financing Corporation Zero Coupon stripped interest payments, maturing February 8, 2014 to September 26, 2019	<u>543,594</u>
Total investments at fair value	<u>\$ 1,386,526</u>

Note 3. Accounts Receivable

As of June 30, 2012, accounts receivable consist of the following:

Landfill tipping fees	\$ 135,506
Waste management fees	66,762
Recycling	30,820
Other	<u>1,103</u>
	<u>\$ 234,191</u>

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 4. Capital Assets

A summary of capital assets at June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ <u>208,413</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>208,413</u>
Capital assets, being depreciated:				
Building	3,026,340	-	-	3,026,340
Equipment, furniture and fixtures	3,078,862	192,098	(16,499)	3,254,461
Landfill expansion/improvement	<u>6,844,175</u>	<u>1,033,440</u>	<u>-</u>	<u>7,877,615</u>
Total capital assets being depreciated	<u>12,949,377</u>	<u>1,225,538</u>	<u>(16,499)</u>	<u>14,158,416</u>
Less accumulated depreciation for:				
Building	1,018,605	112,434	-	1,131,039
Equipment, furniture and fixtures	1,939,182	270,609	(16,499)	2,193,292
Landfill expansion/improvement	<u>1,939,175</u>	<u>300,592</u>	<u>-</u>	<u>2,239,767</u>
Total accumulated depreciation	<u>4,896,962</u>	<u>683,635</u>	<u>(16,499)</u>	<u>5,564,098</u>
Total capital assets being depreciated, net	<u>8,052,415</u>	<u>541,903</u>	<u>-</u>	<u>8,594,318</u>
Capital assets, net	\$ <u>8,260,828</u>	\$ <u>541,903</u>	\$ <u>-</u>	\$ <u>8,802,731</u>

Des Moines County donated property to the Commission during the fiscal year ended June 30, 1991. This property has been recorded at the value carried on the records of the County as follows:

Land	\$ 166,550
Building	379,477
Equipment, furniture and fixtures	<u>20,878</u>
	<u>\$ 566,905</u>

Note 5. Termination Benefits

The Commission's sick leave policy allows qualifying employees to receive one half of their unused accumulated sick leave as compensation immediately upon elective retirement. Employees must have worked for the Commission for at least fifteen years and reached the age of fifty-five. As of June 30, 2012, two employees qualified for the benefit with a total liability of \$24,108. There were no termination benefit expenditures during the year ended June 30, 2012.

Note 6. Pension and Retirement Benefits

The Commission 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.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 6. Pension and Retirement Benefits (continued)

Plan members are required to contribute 5.38% of their annual salary and the Commission is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$70,264, \$57,925, and \$50,890, respectively, equal to the required contributions for each year.

Note 7. Closure and Postclosure Care

To comply with federal and state requirements, the Commission is required to complete a monitoring system plan and a closure and 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 post-closure 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 consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, technology, or applicable laws or regulations. Although closure and postclosure costs will be paid as the landfill closes individual cells and near or after the date that the landfill stops accepting waste, the Commission reports a portion of these closure and postclosure care costs as a liability based on landfill capacity used as of each Statement of Net Assets date.

These costs for the Commission have been estimated at \$1,990,968 closure cost for the 39.76 acres currently open and \$1,533,729 postclosure care for the entire permitted area. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The portion of the liability that has been recognized is \$486,985, which represents the cumulative amount reported to date based on the use of 30% of the estimated permitted capacity of the landfill. The Commission will recognize the remaining estimated cost of closure and postclosure care for the entire permitted area of \$4,001,148 as the remaining estimated permitted capacity is filled. The estimated remaining life of the permitted capacity is 64 years as of June 30, 2012.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 7. Closure and Postclosure Care (continued)

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 Commission has begun accumulating resources to fund these costs, and at June 30, 2012, assets of \$1,447,677 are restricted for these purposes, of which \$855,433 is for closure and \$592,244 is for postclosure care. They are reported as restricted investments on the Statement of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission uses a letter of credit and the local government financial test as its assurance instruments.

Chapter 567-113.14(6)(f) of the IAC allows a government to choose the local government financial test mechanism to demonstrate financial assurance for an amount equal to 43% of the local government's total annual revenue. An alternate financial instrument must be obtained for costs that exceed this limit. The Commission has chosen the dedicated fund mechanism, under Chapter 567-113.14(6)(i) of the IAC, as its secondary financial assurance mechanism and a letter of credit for costs exceeding the government financial test mechanism limit. The Commission demonstrates financial assurance through the application of tests required under the local government financial test mechanism and the use of funds held in a local dedicated fund to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the combined local governmental financial test and dedicated fund financial assurance mechanisms.

Note 8. Jointly-governed Organization

The Commission is a participant in the Joint Safety Committee (JSC). The JSC is a cooperative effort by the Commission, the City of Burlington, Des Moines County and the Burlington Municipal Waterworks to monitor and improve on-the-job safety conditions and to assist in complying with Occupational Safety and Health Administration regulations. The Commission currently provides one member of the six member Committee. The Commission contributed \$5,704 in fiscal year 2012 to the JSC for operating expenses.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 9. Loans Payable

Change in loans payable for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	<u>Additions</u>	<u>Reductions</u>	Balance End of Year	Due Within One Year
SWAP loan, recycling center expansion	\$ 67,500	\$ -	\$ (38,000)	\$ 29,500	\$ 29,500
SWAP loan, hazardous chemical center	55,959	-	(15,981)	39,978	15,982
Des Moines County Bonds	1,985,000	40,000	(300,000)	1,725,000	310,000
Iowa Finance Authority Bonds	2,179,223	631,563	-	2,810,786	-
Bank Loan	<u>12,409</u>	<u>-</u>	<u>(4,083)</u>	<u>8,326</u>	<u>4,398</u>
	<u>\$ 4,300,091</u>	<u>\$ 671,563</u>	<u>\$ (358,064)</u>	<u>\$ 4,613,590</u>	<u>\$ 359,880</u>

SWAP Loans

The Commission was selected by the Iowa Department of Natural Resources to participate in a Solid Waste Alternatives Program (SWAP) project. The Commission has received two awards. The first award provided \$400,000 for recycling center expansion in the form of a forgivable loan of \$20,000, a zero interest loan of \$150,000, and a 3% interest loan of \$230,000. The loan and related interest is payable in quarterly payments of \$10,427 ending July 15, 2012.

The second award provided \$99,908 for the construction of a hazardous chemical center in the form of a forgivable loan of \$20,000 and a zero interest loan of \$79,908. The loan is payable in quarterly payments of \$3,995 ending July 15, 2013.

Des Moines County Bonds

Des Moines County (County) issued General Obligation Capital Loan Notes (Series 2007 Notes) dated October 1, 2007 in the amount of \$3,085,000 and loaned the proceeds to the Commission to finance expansion of the Commission's existing solid waste facilities. The Commission issued a Solid Waste Revenue Bond (2007 Bonds) to the County for the full amount of the Series 2007 Notes, which is payable in the amounts and at the same times and interest rates as those of the Series 2007 Notes. The 2007 Bonds and the interest are payable solely and only out of the net earnings of the Commission's Solid Waste System. All proceeds of the Bonds have been expended for expansion of the Commission's existing solid waste facilities as of June 30, 2012.

The County was able to effectuate debt service savings by the advance refunding of the Series 2007 Notes and agreed to pass along the debt service savings to the Commission as a result of the refunding. On November 15, 2011 the Commission approved the amended funding agreement and authorized and provided for the issuance of \$2,025,000 Solid Waste Revenue Bonds (Series 2011 Bonds). The Series 2011 Bonds mature with annual debt service payments ending June 1, 2017, bearing incrementally increasing interest rates ranging from 3.95% to 1.45%. The Commission is responsible for principal, interest and issuance costs related to the 2011 Series Note and 2011 Series Bonds. In accordance with the resolution, as of June 30, 2012, the Commission has restricted certificates of deposit totaling \$308,500 representing the reserve fund available to make payments on the 2011 Series Bonds in the event revenues are insufficient.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 9. Loans Payable (continued)

Iowa Finance Authority Bonds

The Commission issued State Revolving Loan Funds Revenue Bonds on July 7, 2010, dated July 1, 2010, in the amount of \$4,226,000 for various landfill projects necessary to meet current standards governing the design and operation of landfills. The Bonds mature June 1, 2033 with annual debt service payments beginning June 1, 2014. The Bonds bear interest at 3.00% which is payable on December 1 and June 1. As of June 30, 2012, the Commission's total related debt was \$2,810,786. The Commission is responsible for principal, interest and issuance costs related to the Bonds. Bond issue costs related to the issuance have been deferred and will be amortized by the Commission as interest expense over the life of the bond.

Bank Loan

The Commission engaged Interstate Power and Light Company to perform an energy efficiency study at the recycling center. In accordance with the agreement, the Commission would utilize the energy cost savings to finance the resulting capital improvements. Accordingly, the Commission obtained loan from Cedar Valley Bank and Trust for \$13,061, the cost of the capital improvements determined within the study, which is due on April 12, 2014. The Commission is responsible for monthly payments of \$406, which include principal and interest at 7.50%.

Bond Issuance Costs

Bond issue costs of \$119,799 have been deferred and are being amortized by the Commission as interest expense over the life of the related bond issues. During the year ended June 30, 2012, the Commission amortized \$14,938 of bond issue costs, leaving remaining prepaid bond issue costs of \$80,337.

Secured Letter of Credit

The Commission has a secured letter of credit from F&M Bank & Trust for \$666,000 as part of their Financial Assurance Instrument to secure closure and postclosure care costs. The letter of credit is secured by substantially all Commission assets and matures March 23, 2013. No amounts have been drawn on the letter of credit during the year ended June 30, 2012.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 9. Loans Payable (continued)

Details of the Commission's indebtedness are as follows:

SWAP loan, recycling center expansion

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2013 (includes forgivable loan)	\$ 29,500	\$ 927
	<u>\$ 29,500</u>	<u>\$ 927</u>

SWAP loan, hazardous chemical center

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2013	\$ 15,982	\$ -
Year ended June 30, 2014 (includes forgivable loan)	<u>23,996</u>	<u>-</u>
	<u>\$ 39,978</u>	<u>\$ -</u>

Des Moines County Bond

	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
Year ended June 30, 2013	\$ 310,000	\$ 68,310	3.95 %
Year ended June 30, 2014	345,000	26,293	2.00
Year ended June 30, 2015	350,000	19,393	2.00
Year ended June 30, 2016	355,000	12,392	2.00
Year ended June 30, 2017	<u>365,000</u>	<u>5,290</u>	1.45
	<u>\$ 1,725,000</u>	<u>\$ 131,678</u>	

Bank Loan

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2013	\$ 4,398	\$ 475
Year ended June 30, 2014	<u>3,928</u>	<u>136</u>
	<u>\$ 8,326</u>	<u>\$ 611</u>

State Revolving Loan Funds Revenue Bonds

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2013	\$ -	\$ 126,780
Year ended June 30, 2014	157,000	126,780
Year ended June 30, 2015	162,000	122,070
Year ended June 30, 2016	167,000	117,210
Year ended June 30, 2017	172,000	112,200
Years ended June 30, 2018-2022	940,000	480,480
Years ended June 30, 2023-2027	1,089,000	330,810
Years ended June 30, 2028-2032	<u>123,786</u>	<u>46,170</u>
	<u>\$ 2,810,786</u>	<u>\$ 1,462,500</u>

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 10. Solid Waste Tonnage Fees Retained

The Commission restricts and uses those portions of solid waste tonnage fees retained in accordance with Chapter 455B.310 of the Code of Iowa. As of June 30, 2012, there were no unspent solid waste tonnage fees retained by the Commission that were required to be restricted.

Note 11. Unrestricted Net Assets Designated by the Commission

Remediation/Closure

As of June 30, 2012, the Commission had designated \$230,159 for landfill closure and postclosure care and corrective action, in addition to the financial assurance deposits required by State regulations.

Equipment Replacement

As of June 30, 2012, the Commission had designated \$273,223 for replacement of equipment used at the landfill.

Facility Improvements

As of June 30, 2012, the Commission had designated \$125,000 for construction related to future expansion of the landfill.

Note 12. Risk Management

The Commission 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 government risk-sharing pools, as allowed by Chapter 670.7 of the Code of Iowa.

The Commission is a member of the Iowa Communities Assurance Pool and the Iowa Municipalities Workers' Compensation Association (Pools). The Pools are local government risk-sharing pools whose members include various governmental entities throughout the State of Iowa. The Pools provide coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, boiler/machinery and workers' compensation. There have been no reductions in insurance coverage from prior years during the year ended June 30, 2012.

Each member's annual casualty contributions to the Iowa Communities Assurance Pool (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. Cumulative Reserve Fund contributions are made during the first six years of membership and are maintained to equal 200 to 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.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 12. Risk Management (continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. In the event that a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' 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, payment of such claims shall be the obligation of the respective individual member. Settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Member premiums paid to the Iowa Municipalities Workers' Compensation Association (IMWCA) are based on the rates approved annually by the Iowa Insurance Commissioner and fund all administrative expenses, claims, claims expenses, and reinsurance expenses. The IMWCA Board of Trustees approves a rating plan each year that applies discounts or surcharges to each member's premium based on its past loss experience. These discounts or surcharges are in addition to each member's experience modification factor. The membership agreement includes the provision that each member will be responsible for its pro-rata share of any workers' compensation or related employer liability claims which exceed the IMWCA's resources available to pay such claims. Members have never been assessed by the IMWCA and the IMWCA fund balance is in excess of all expenses funded by premiums as well as reserves for future known and unknown claims.

Note 13. Commitments and Contingencies

The Commission has outstanding commitments for regulatory and cell expansion contracts at the sanitary landfill totaling \$342,456.

Note 14. Other Postemployment Benefits (OPEB)

The Commission participates in a multi-government health insurance pool that provides medical, dental benefits, and prescription drug coverage to employees and retirees. The Commission's current funding policy is to pay health and dental costs as they occur or a pay-as-you-go basis. The Commission establishes and amends contribution requirements.

The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Commission, an amount actuarially determined in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 Commission's ARC is \$807 for the period ending June 30, 2012, 2011 and 2010, and the Commission's net OPEB obligation is \$2,421 as of June 30, 2012, an increase of \$807 from June 30, 2011.

As of June 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability was \$6,405, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,405.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 14. Other Postemployment Benefits (OPEB) (continued)

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 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.

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 the Plan members to that point. The actuarial methods and assumptions used include techniques that are used to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2010, the most recent actuarial valuation date, the normal actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the Commission's funding policy.

Note 15. Prospective Accounting Change

GASB has issued two Statements not yet implemented by the Commission. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the Authority for the fiscal year ending June 30, 2013. This Statement redefines the components of the statement of net assets. In the year that Statement No. 63 is implemented, the prior year financial statements will be retroactively restated for comparison perspective. Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the Commission for the fiscal year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In the year that Statement No. 65 is implemented, the beginning net assets will be retroactively restated for prior periods presented. The Commission's management has not yet determined the effect these Statements will have on the Commission's financial statements.

Des Moines County Regional Solid Waste Commission
Supplementary Schedule of Revenue and Expenses
Year Ended June 30, 2012

	<u>Landfill</u>	<u>Recycling Processing</u>	<u>Recycling Collection</u>	<u>Household Hazardous Waste and Building Materials</u>	<u>General and Administration</u>	<u>Total</u>
Operating revenues						
Gate receipts	\$ 2,344,651	\$ -	\$ -	\$ -	\$ -	\$ 2,344,651
Drop-off reimbursement	-	-	17,003	-	-	17,003
Recycling	-	392,370	-	-	-	392,370
Hazardous waste fees and reimbursements	-	-	-	48,833	-	48,833
Waste management fees	-	450,953	170,346	99,110	-	720,409
Total operating revenues	<u>2,344,651</u>	<u>843,323</u>	<u>187,349</u>	<u>147,943</u>	<u>-</u>	<u>3,523,266</u>
Operating expenses						
Salaries	286,663	139,594	154,293	64,749	203,193	848,492
Payroll taxes	47,253	23,748	26,538	9,224	32,908	139,671
Employee benefits	84,636	49,286	59,393	15,977	48,152	257,444
Workers' compensation insurance	13,006	7,412	10,744	3,132	505	34,799
Safety	4,119	2,933	1,988	1,395	1,027	11,462
Inspection and regulatory assistance	57,608	-	-	-	-	57,608
Garbage and drop-off collection	-	3,360	17,519	-	-	20,879
Wood grinding and tire disposal	10,686	-	-	-	-	10,686
Leachate control and well sampling	230,938	-	-	-	-	230,938
Repairs and maintenance	158,491	31,616	12,194	-	-	202,301
Utilities	18,989	16,708	-	4,909	-	40,606
Telephone	-	-	937	2,784	4,739	8,460
Insurance	-	-	-	-	43,521	43,521
Supplies	148,217	18,773	17,225	4,553	9,257	198,025
Advertising and public education	-	-	-	4,697	21,287	25,984
Equipment and equipment rent	3,218	384	-	-	-	3,602
Contract service	11,368	-	7,334	29,078	23,067	70,847
DNR tonnage fees	109,793	-	-	-	-	109,793
Shipping	-	840	-	-	-	840
Travel and training	3,489	-	-	1,689	8,675	13,853
Sales tax	8	-	-	-	-	8
Recycling rebates	-	87,987	-	-	-	87,987
Depreciation	557,178	88,316	20,965	12,105	5,071	683,635
Landfill closure and postclosure	44,718	-	-	-	-	44,718
Change in closure and postclosure care estimate	61,596	-	-	-	-	61,596
Total operating expenses	<u>1,851,974</u>	<u>470,957</u>	<u>329,130</u>	<u>154,292</u>	<u>401,402</u>	<u>3,207,755</u>
Operating income (deficit)	<u>\$ 492,677</u>	<u>\$ 372,366</u>	<u>\$ (141,781)</u>	<u>\$ (6,349)</u>	<u>\$ (401,402)</u>	315,511
Nonoperating revenues (expenses)						
Investment return						31,485
Investment return restricted for closure and postclosure care						82,913
Interest expense						(170,398)
'Recycled 2 You' net retail sales						249
Loss on sale of equipment						35,840
Miscellaneous income (expense)						<u>(34,867)</u>
Change in net assets						<u>\$ 260,733</u>



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

Commission Members
Des Moines County Regional Solid Waste Commission
Burlington, Iowa

We have audited the accompanying financial statements of the Des Moines County Regional Solid Waste Commission (Commission), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 8, 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

In planning and performing our audit, we considered the Commission'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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission'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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings, that we consider to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 Commission's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the Commission's financial statements. 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 Commission's response to the finding identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's response, we did not audit the Commission's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Commission and other parties to whom Des Moines County Regional Solid Waste Commission may report, including federal and state awarding agencies. 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 Des Moines County Regional Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

November 8, 2012

Des Moines County Regional Solid Waste Commission
Schedule of Findings
Year Ended June 30, 2012

Finding Related to the Financial Statements:

Significant Deficiency:

Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. One person has control of all general ledger functions; collecting, journalizing and posting of some receipts; bank reconciliations; and investment transactions.

Recommendation - We realize that with a limited number of employees, segregation of duties is difficult. 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 - Due to the limited number of office employees, segregation of duties is very difficult; however, it is our policy to have the manager review cash receipts, posting, and payroll on a test basis and bank reconciliations monthly. In addition, all cash disbursements require a second signature and are reviewed and approved by the Commission.

Conclusion - Response accepted.

Other Findings Related to Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2012.
- (2) Questionable Expenses - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (5) 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 Commission's investment policy were noted.
- (6) Solid Waste Fees Retained - No instances of noncompliance with the solid waste fees used or retained in accordance with Chapter 455B.310 of the Code of Iowa were noted.

**Des Moines County Regional Solid Waste Commission
Schedule of Findings
Year Ended June 30, 2012**

Other Findings Related to Statutory Reporting (continued):

- (7) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs through the application of tests required under the local government financial test mechanism prescribed in Environmental Protection Commission Chapter 567-113.14(6)(f) of the Iowa Administrative Code and through funding the local government dedicated fund at the level prescribed in Environmental Protection Commission Chapter 567-113.14(6)(i) of the Iowa Administrative Code. All components of the local government financial test mechanism were met for the year ended June 30, 2012. The calculation is made as follows:

Local government dedicated fund:	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 1,990,968	\$ 1,533,729
Less: amount Commission had restricted and reserved for closure and postclosure care at July 31, 2011 (unaudited)	(804,795)	(557,124)
Less: closure and postclosure care cost estimates being assured by a letter of credit = \$666,000	<u>(393,539)</u>	<u>(272,461)</u>
Closure and postclosure care cost estimates being assured by the local government financial test mechanism = \$1,496,778, which does not exceed the limit of \$1,496,910.	<u>\$ 792,634</u>	<u>\$ 704,144</u>

Calculation of local government financial mechanism test limit:

Annual revenue for year ended June 30, 2011	\$ 3,481,187
Annual revenue multiplied by 43%, the limit of closure and postclosure care costs that may be assured under the local government test mechanism	\$ 1,496,910