SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Independent Auditors' Reports
Basic Financial Statements and
Required Supplementary Information
Schedule of Findings

June 30, 2012 and 2011

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

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SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY

OFFICIALS

Name	Title	Representing
Bob Schubert	Chairperson	City of Marshalltown
Dale Thompson	Vice-Chairperson	City of Ferguson
Ed Tordoff	Member	City of Albion
Marlene Krough	Member	City of Clemons
Alan Graham	Member	City of Collins
Eldon Stanley	Member	City of Gilman
Bill Roads	Member	City of Haverhill
James Happe	Member	City of Laurel
Cheryl Culver	Member	City of LeGrand
John Vry	Member	City of Liscomb
Dennis Grabenbauer	Member	Marshall County
Mike McCann	Member	Marshall County
Marla Grabenbauer	Member	City of Marshalltown
Robert Forbes	Member	City of Marshalltown
Merrill Price	Member	City of Marshalltown
John Cooper	Member	City of Marshalltown
John White	Member	City of Melbourne
Gale Klosterman	Member	City of Rhodes
Bruce Arnold	Member	City of St. Anthony
Dick Postel	Member	City of State Center
Paul Bollmeier	Member	City of Whitten
Joe Robertson	Secretary-Treasurer/Superintendent	

BOWMAN & MILLER, P.C.

CERTIFIED ♦ PUBLIC ♦ ACCOUNTANTS

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Independent Auditors' Report

To the Board Members of the Solid Waste Management Commission
of Marshall County:

We have audited the accompanying financial statements of the Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2012 and 2011. 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe our audits provide 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 Solid Waste Management Commission of Marshall County at June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2012 on our consideration of the Solid Waste Management Commission of Marshall County'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 audits.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bowman & Miller, P.C.

September 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Solid Waste Management Commission of Marshall County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2012 and 2011. 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 16.8%, or $341,441, from fiscal year 2011 to fiscal year 2012. Both gate fees and County and City assessments increased.
- The Commission's operating expenses were 29.9%, or $536,750, less in fiscal year 2012 than in fiscal year 2011.
- The Commission's net assets increased 15.0%, or $1,197,101, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Solid Waste Management Commission of Marshall County is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Solid Waste Management Commission of Marshall County'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 Statements of Net Assets present 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 Statements of Revenues, Expenses and Changes in Nets Assets are the basic statements of activities for proprietary funds. These statements present information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Commission's cash and cash equivalents during the years. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

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

Statements 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 at the end of fiscal year 2012 totaled approximately $9,167,000. This compares to approximately $7,970,000 at the end of fiscal year 2011. A summary of the Commission's net assets is presented below.

Net Assets		June 30,	
		2012	2011
Current assets	$	1,455,123	1,193,310
Restricted investments		3,405,475	3,195,618
Noncurrent assets		2,010,997	1,688,360
Capital assets at cost, less accumulated depreciation		3,580,270	3,476,652
Total assets		10,451,865	9,553,940
Current liabilities		108,427	88,644
Noncurrent liabilities		1,176,133	1,495,092
Total liabilities		1,284,560	1,583,736
Net assets:			
Invested in capital assets		3,580,270	3,476,652
Restricted		3,945,526	3,666,015
Unrestricted		1,641,509	827,537
Total net assets	$	9,167,305	7,970,204

The largest portion of the Commission's net assets (43%) is restricted for closure and postclosure care, park development and financial assurance to be able to fund the closure, postclosure and corrective action costs. 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 invested in capital assets (e.g., land, buildings and equipment) portion of net assets (39%) are resources allocated to capital assets. The remaining net assets (18%) are the unrestricted net assets that may be used to meet the Commission's obligations as they come due.

Statements of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues include interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2012 and 2011 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2012	2011
Operating revenues:		
Gate fees	$ 2,213,382	1,877,788
County and city assessments	165,168	159,880
Other operating revenues	614	55
Total operating revenues	2,379,164	2,037,723
Operating expenses:		
Salaries	365,420	343,841
Employee benefits	100,530	112,028
Machinery maintenance, labor and parts	63,809	61,622
Oil and gas	103,654	98,614
Long range planning and engineering	55,702	173,130
Site maintenance	93,743	75,481
Site utilities	11,284	15,786
Equipment rent	1,194	2,035
Office expenses	11,651	11,509
Training and travel	2,627	1,130
Public education	38,344	32,091
Legal and accounting	18,454	22,497
Insurance	54,691	56,293
Closure and postclosure care	(318,959)	192,938
Planning and recycling	92,574	81,579
Iowa Department of Natural Resources tonnage fees	127,736	109,534
Depreciation	358,482	338,067
Non-capitalized equipment	12,536	4,991
Payroll taxes	28,303	27,641
Commission expense	1,415	1,151
Retirement expense	29,356	23,641
Miscellaneous	4,105	7,802
Total operating expenses	1,256,651	1,793,401
Operating income	1,122,513	244,322
Non-operating revenues:		
Interest income	74,588	77,738
Change in net assets	1,197,101	322,060
Net assets beginning of year	7,970,204	7,648,144
Net assets end of year	$ 9,167,305	7,970,204

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

In fiscal year 2012, operating revenues increased by $341,441, or 16.8%, primarily a result of gate fees increasing by approximately $335,600 due to an increased volume of collections from economic conditions. Operating expenses decreased by $536,750, or 29.9%. The decrease was primarily a result of long range planning and engineering costs and closure and postclosure care decreasing by approximately $117,400 and $512,000, respectively.

Statements of Cash Flows

The Statements of Cash Flows present 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 used by capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes the purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2012, the Commission had approximately $11,121,000 in capital assets. Accumulated depreciation on capital assets was approximately $7,541,000, resulting in approximately $3,580,000 invested in capital assets, net of accumulated depreciation. Depreciation expense totaled $358,482 and $338,067 for fiscal years 2012 and 2011, respectively. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2012, the Commission had $1,176,133 in long-term liabilities, a decrease of $318,959 from June 30, 2011. The table below summarizes the outstanding long-term liabilities by type.

	June 30,	
	2012	2011
Closure and postclosure care cost	$ 1,176,133	1,495,092

Additional information about the Commission's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The Solid Waste Management Commission of Marshall County continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Volatility of the recyclables markets and the effect on net processing cost and product throughput volume.
- Federal and State solid waste legislation and rule revisions and their effect on our current operating costs and long-term closure and postclosure care costs and a dedicated restricted fund to pay for closure and postclosure and corrective costs.
- New Federal and State mandates require monitoring and control of greenhouse gases.
- The effect of increasing fuel and energy costs on operations.

The Commission anticipates the current fiscal year will be much like the last. The Commission does plan to start placing down additional liner material and developing more of the existing landfill space in the next couple of fiscal years. They will continue to maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Solid Waste Management Commission of Marshall County, 2313 Marshalltown Boulevard, Marshalltown, Iowa.

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Exhibit A

Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash	$ 1,305,354	1,041,930
Accounts receivable	125,243	133,024
Prepaid insurance	24,526	18,356
Total current assets	1,455,123	1,193,310
Noncurrent assets:		
Restricted investments	3,405,475	3,195,618
Certificates of deposit	2,010,997	1,688,360
Capital assets (net of accumulated depreciation)	3,580,270	3,476,652
Total noncurrent assets	8,996,742	8,360,630
Total assets	10,451,865	9,553,940
Liabilities		
Current liabilities:		
Accounts payable	26,605	40,315
Salaries and benefits payable	35,390	20,626
Accrued liabilities	46,432	27,703
Total current liabilities	108,427	88,644
Noncurrent liabilities:		
Landfill closure and postclosure care	1,176,133	1,495,092
Total noncurrent liabilities	1,176,133	1,495,092
Total liabilities	1,284,560	1,583,736
Net assets		
Invested in capital assets	3,580,270	3,476,652
Restricted for:		
Park development and maintenance	61,762	61,361
Closure and postclosure care	3,343,713	3,134,257
Financial assurance dedicated fund	540,051	470,397
Unrestricted	1,641,509	827,537
Total net assets	$ 9,167,305	7,970,204

See notes to financial statements.

Exhibit B

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Gate fees	$ 2,213,382	1,877,788
County and city assessments	165,168	159,880
Other operating revenues	614	55
Total operating revenues	2,379,164	2,037,723
Operating expenses:		
Salaries	365,420	343,841
Employee benefits	100,530	112,028
Machinery maintenance, labor and parts	63,809	61,622
Oil and gas	103,654	98,614
Long range planning and engineering	55,702	173,130
Site maintenance	93,743	75,481
Site utilities	11,284	15,786
Equipment rent	1,194	2,035
Office expenses	11,651	11,509
Training and travel	2,627	1,130
Public education	38,344	32,091
Legal and accounting	18,454	22,497
Insurance	54,691	56,293
Closure and postclosure care	(318,959)	192,938
Planning and recycling	92,574	81,579
Iowa Department of Natural Resources tonnage fees	127,736	109,534
Depreciation	358,482	338,067
Non-capitalized equipment	12,536	4,991
Payroll taxes	28,303	27,641
Commission expense	1,415	1,151
Retirement expense	29,356	23,641
Miscellaneous	4,105	7,802
Total operating expenses	1,256,651	1,793,401
Operating income	1,122,513	244,322
Non-operating revenues:		
Interest income	74,588	77,738
Change in net assets	1,197,101	322,060
Net assets beginning of year	7,970,204	7,648,144
Net assets end of year	$ 9,167,305	7,970,204

See notes to financial statements.

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Exhibit C

Statements of Cash Flows
Years ended June 30, 2012 and 2011

		2012	2011
Cash flows from operating activities:			
Cash received from gate fees	$	2,221,163	1,892,932
Cash received from assessments		165,168	159,880
Cash received from other operating receipts		614	55
Cash paid to suppliers for goods and services		(752,329)	(827,742)
Cash paid to employees for services		(451,186)	(453,833)
Net cash provided by operating activities		1,183,430	771,292
Cash flows from capital and related financing activities:			
Purchase of capital assets		(462,100)	(1,118,371)
Net cash used by capital and related financing activities		(462,100)	(1,118,371)
Cash flows from investing activities:			
Purchase of certificates of deposit		(322,637)	(26,776)
Purchase of restricted investments		(209,857)	(206,326)
Interest received		74,588	77,738
Net cash used by investing activities		(457,906)	(155,364)
Net increase (decrease) in cash and cash equivalents		263,424	(502,443)
Cash and cash equivalents beginning of year		1,041,930	1,544,373
Cash and cash equivalents end of year	$	1,305,354	1,041,930
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	1,122,513	244,322
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		358,482	338,067
Closure and postclosure care		(318,959)	192,938
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		7,781	15,144
(Increase) decrease in prepaid insurance		(6,170)	(1,666)
(Decrease) increase in accounts payable		(13,710)	(19,348)
(Decrease) increase in salaries and benefits payable		14,764	2,036
(Decrease) increase in accrued liabilities		18,729	(201)
Total adjustments		60,917	526,970
Net cash provided by operating activities	$	1,183,430	771,292

See notes to financial statements.

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements
June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

The Solid Waste Management Commission of Marshall County was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain a solid waste facility in Marshall County on behalf of the units of government that are members of the Commission and for use by all residents of the County.

The Commission is composed of at least one representative from each of the sixteen member municipalities, except that Marshalltown shall have at least two voting representatives. The member municipalities are: Albion, Clemons, Collins, Ferguson, Gilman, Haverhill, Laurel, LeGrand, Liscomb, Marshall County, Marshalltown, Melbourne, Rhodes, St. Anthony, State Center and Whitten. Each member is entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

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

A. Reporting Entity

For financial reporting purposes, the Solid Waste Management Commission of Marshall County has included all funds, organizations, 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission 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 Commission. The Solid Waste Management Commission of Marshall County has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

The 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 non-operating 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 non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

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

Cash, Investments 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 and 2011 include certificates of deposit of $5,416,472 and $4,883,978, respectively.

Accounts Receivable – Accounts receivable represent amounts billed for waste disposal services at June 30, 2012 and 2011. Due to the Commission's policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded.

Restricted Investments – Funds set aside for payment of closure and postclosure care costs and financial assurance for unfunded costs are classified as restricted. In addition, funds have been set aside for the development of a county park upon closure of the landfill.

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of $5,000. Capital assets of the Commission are depreciated using the straight-line method over the estimated useful lives of the assets. Buildings are amortized over thirty years, land improvements over fifteen years, the leachate system over thirty years and equipment is depreciated over a five to ten year life.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2012 and 2011.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused sick and vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated sick and vacation hours has been computed based on rates of pay in effect at June 30, 2012 and 2011.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2012 and 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission 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 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.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(3) 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 established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the Commission is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were $29,356, $23,641 and $21,207, respectively, equal to the required contributions for each year.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	$ 750,944	–	–	750,944
Capital assets being depreciated:				
Land development costs	6,141,913	317,246	–	6,459,159
Buildings	255,016	–	–	255,016
Equipment and vehicles	2,796,818	144,854	–	2,941,672
Leachate system	714,482	–	–	714,482
Total capital assets being depreciated	9,908,229	462,100	–	10,370,329
Less accumulated depreciation for:				
Land development costs	4,430,384	124,711	–	4,555,095
Buildings	228,637	8,444	–	237,081
Equipment and vehicles	2,192,073	201,511	–	2,393,584
Leachate system	331,427	23,816	–	355,243
Total accumulated depreciation	7,182,521	358,482	–	7,541,003
Total capital assets being depreciated, net	2,725,708	103,618	–	2,829,326
Total capital assets, net	$ 3,476,652	103,618	–	3,580,270

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(5) Closure and Postclosure Care

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, 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 federal and state approved cap to contain and 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.

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

These costs for the Solid Waste Management Commission of Marshall County have been estimated at $3,302,500 for closure care and $105,000 and $1,182,000 for postclosure care for Area A and Area B, respectively, for a total of $4,589,500 as of June 30, 2012, and the portion of the liability that has been recognized is $1,176,133. 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. During the years ended June 30, 2012 and 2011, the total amount of waste disposed of at the facility was 38,708 and 33,142 tons, respectively, and the estimated remaining capacity of the landfill at June 30, 2012 was 2,555,119 tons.

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 $3,343,713 are held for these purposes in a dedicated trust fund. During the year ended June 30, 2012, the board also designated $69,654 in other investments to the financial assurance dedicated fund for closure and postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

(5) Closure and Postclosure Care (Continued)

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 has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Commission 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 the permitted life of the landfill
- Annual deposits to the fund are determined by the following formula:

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

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

Chapter 567-113.14(8) of the IAC allows the Commission 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 Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism. The amount of funds restricted for the years ended June 30, 2012 and 2011 were $540,051 and $470,397, respectively.

(6) Solid Waste Tonnage Fees Retained

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

As of June 30, 2012 and 2011, the Commission had no unspent amounts retained and restricted for the required purposes.

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(7) Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provides 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 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool 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 and $10,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 to $10,000,000, such excess coverage is also reinsured.

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 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.

(7) Risk Management (Continued)

The Commission's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contribution to the Pool for the years ended June 30, 2012 and 2011 was $18,484 and $19,371, respectively.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with property and casualty and automobile insurance. The Commission 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.

(8) Recyclable Materials Processing, White Goods Recycling and Public Education Agreements

The Commission entered into a recycling agreement with MIW, Inc. (the Company). The agreement is for the purpose of reducing the amount of tonnage entering the Commission's landfill operation and provides for payment of an amount per ton for the processing of recyclables at a processing facility maintained by the Company. The agreement is for a period of six years beginning January 1, 2010 and the formula used to calculate the processing fee will be reviewed every two years. The amount paid to the Company for the years ending June 30, 2012 and 2011 was $33,508 and $26,122, respectively.

The Commission has entered into an agreement with Moor's Salvage and Recovery (the Contractor) to provide for the legal and safe removal, processing, and disposal of white goods (appliances) brought to the landfill. The contract is for a period of four years beginning January 1, 2012, and the cost of removal is $8 per appliance. The amount paid to the Contractor for the years ended June 30, 2012 and 2011 was $9,318 and $13,996, respectively.

The Commission also enters into an annual agreement with Iowa Valley Community College District (IVCCD) to provide financial support for a part-time position whose purpose is to provide waste and recycling education in the Commission's service area.

(9) Date of Management Evaluation

Management has evaluated subsequent events through September 21, 2012, the date on which the financial statements were available to be issued.

BOWMAN & MILLER, P.C.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of the Solid Waste Management Commission
of Marshall County:

We have audited the accompanying financial statements of the Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 21, 2012. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the Solid Waste Management Commission of Marshall County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Solid Waste Management Commission of Marshall County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Solid Waste Management Commission of Marshall County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Solid Waste Management Commission of Marshall County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Solid Waste Management Commission of Marshall County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in the Solid Waste Management Commission of Marshall County's internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Solid Waste Management Commission of Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the years ended June 30, 2012 and 2011 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Commission. Since our audits were 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 Solid Waste Management Commission of Marshall County's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's response, we did not audit the Solid Waste Management Commission of Marshall County'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 members and customers of the Solid Waste Management Commission of Marshall County and other parties to whom the Commission may report and 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 Solid Waste Management Commission of Marshall County 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.

Bowman and Miller, P.C.

September 21, 2012

SOLID WASTE MANAGEMENT COMMISSION
OF MARSHALL COUNTY

Schedule of Findings
Years ended June 30, 2012 and 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. Due to a limited number of personnel performing accounting functions, the Commission does not have adequate segregation of duties over accounting transactions. As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. We will consider ways to mitigate the lack of segregation of duties wherever possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

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

(2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

(3) Board Minutes – No transactions were found that we believe should have been approved in the Commission's minutes but were not.

(4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

(5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Schedule of Findings (Continued)
Years ended June 30, 2012 and 2011

(6) Financial Assurance – The Commission has demonstrated 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. The calculation is made as follows:

Total estimated costs for closure and postclosure care	$ 4,589,500
Less: Balance of funds held in the local dedicated fund at June 30, 2011	(3,134,257)
	1,455,243
Divided by the number of years remaining in the pay-in period (rounded)	÷ 17
Required payment into the local dedicated fund for the year ended June 30, 2012	87,782
Balance of funds held in the local dedicated fund at June 30, 2011	3,134,257
Required balance of funds to be held in the local dedicated fund at June 30, 2012	$ 3,222,039
Amount Commission has restricted for closure and postclosure care at June 30, 2012:	
Restricted Trust Fund	3,343,713
Board designated funds held in local dedicated fund	69,654
	$ 3,413,367

SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Staff

This audit was performed by:

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Certified Public Accountants
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