

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

Independent Auditors' Reports  
Basic Financial Statements and  
Management's Discussion and Analysis  
Schedule of Findings

June 30, 2012

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

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# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Greg Gordy	Chairperson	Mahaska County
Edward Elder	Vice-Chairperson	City of Fremont
Larry Boyer	Member	City of Keomah Village
Aaron Ver Steeg	Member	City of Oskaloosa
Wilda Collister	Member	City of Rose Hill
Peggy Wright	Member	Mahaska County
Alan DeBruin	Member	Mahaska County
Mike Buban	Member	City of Leighton
Don Baker	Member	City of Barnes City
John Jacobs	Member	Mahaska County
Richard Thomas	Member	City of Beacon
Janet VanderBeek	Member	City of Oskaloosa
Wayne Hook	Secretary-Treasurer	City of Oskaloosa
Ben Doak	Member	City of Oskaloosa
Steve Thomas	Manager	



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## TD&T Financial Group, P.C.

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Muscatine  
Ottumwa  
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Sigourney

### Independent Auditors' Report

To the Members of Mahaska County Solid  
Waste Management Commission

We have audited the accompanying basic financial statements of Mahaska County Solid Waste Management Commission as of and for the year ended June 30, 2012. 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.

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 statements presentation. We believe 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 Mahaska County Solid Waste Management 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 August 27, 2012 on our consideration of Mahaska County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*TDE&T Financial Group, P.C.*

August 27, 2012

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Mahaska County Solid Waste Management 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 31%, or \$454,475, from fiscal 2011 to fiscal 2012. Gate fees increased.
- The Commission's operating expenses were 18%, or \$224,882, more in fiscal 2012 than in fiscal 2011.
- The Commission's net assets increased 8%, or \$526,858, from June 30, 2011 to June 30, 2012.

## USING THIS ANNUAL REPORT

The Mahaska County Solid Waste Management Commission 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 Mahaska County Solid Waste Management 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, 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 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 for fiscal 2012 totaled approximately \$6,781,000. This compares to approximately \$6,261,000 for fiscal 2011. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 5,511,964	4,625,501
Restricted investments	1,619,637	1,558,330
Capital assets at cost, less accumulated depreciation	<u>758,006</u>	<u>957,671</u>
Total assets	<u>7,889,607</u>	<u>7,141,502</u>
Current liabilities	133,794	120,638
Non-current liabilities	<u>968,366</u>	<u>760,275</u>
Total liabilities	<u>1,102,160</u>	<u>880,913</u>
Net assets:		
Invested in capital assets	758,006	957,671
Restricted	1,506,344	1,255,397
Unrestricted	<u>4,523,097</u>	<u>4,047,521</u>
Total net assets	\$ <u>6,787,447</u>	<u>6,260,589</u>

A portion of the Commission's net assets (22%) is restricted for closure and post closure care. 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 (11%, e.g., land, buildings and equipment) are resources allocated to capital assets. The remaining net assets (67%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

### *Statement of Revenues, Expenses and Changes in Net Assets*

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

Changes in Net Assets		
	Year Ended June 30,	
	<u>2012</u>	<u>2011</u>
Operating revenue:		
Gate fees	\$ 1,901,837	1,446,223
Other operating revenues	<u>4,962</u>	<u>6,101</u>
Total operating revenue	<u>1,906,799</u>	<u>1,452,324</u>
Operating expenses:		
Salaries	249,611	249,286
Employee benefits	84,100	76,551
Machinery maintenance, labor and parts	65,588	64,613
Oil and gas	91,906	84,056
Long range planning and engineering	225,093	202,868
Site maintenance	86,225	129,309
Site utilities	4,966	5,384
Office expense	4,373	7,560
Legal and accounting	8,536	7,400
Insurance	12,978	12,708
Closure and post closure care costs	208,091	60,194
Planning and recycling expenses	51,756	51,756
Iowa Department of Natural Resources tonnage fees	172,754	97,091
Depreciation	192,635	188,256
Miscellaneous	<u>10,166</u>	<u>6,864</u>
Total operating expenses	<u>1,468,778</u>	<u>1,243,896</u>
Operating income	<u>438,021</u>	<u>208,428</u>
Non-operating revenues (expenses):		
Interest income	95,867	97,463
Gain (loss) on disposal of property and equipment	<u>(7,030)</u>	<u>-</u>
Net non-operating revenue	<u>88,837</u>	<u>97,463</u>
Change in net assets	526,858	305,891
Net assets beginning of year	<u>6,260,589</u>	<u>5,954,698</u>
Net assets end of year	\$ <u>6,787,447</u>	<u>6,260,589</u>

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

In fiscal 2012, operating revenues increased by \$454,475 or 31%, primarily a result of an increase in tonnage from the top major customer. Operating expenses increased by \$224,882, or 18%.

## *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers.

### **CAPITAL ASSETS**

At June 30, 2012, the Commission had approximately \$2,220,000 invested in capital assets, net of accumulated depreciation of approximately \$1,462,000. Depreciation charges totaled \$192,635 for fiscal 2012. More detailed information about the Commission's capital assets is presented in Note 5 to the financial statements.

### **ECONOMIC FACTORS**

Mahaska County Solid Waste Management Commission 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 the Commission officials. Some of the realities that 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 ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will 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 Mahaska County Solid Waste Management Commission, 2979 Highway 63, Oskaloosa, Iowa.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Statement of Net Assets  
June 30, 2012**

Assets

## Current assets:

Cash	\$ 1,347,088
Certificates of Deposit	4,020,403
Accounts receivable, less allowance for doubtful accounts of \$2,556	115,260
Accrued interest receivable	29,213
Total current assets	<u>5,511,964</u>

## Restricted assets:

Investments - Certificates of Deposit and Money Market	996,920
Investments - Brokered Certificates of Deposit	622,717
Total restricted assets	<u>1,619,637</u>

Capital assets, net of \$1,462,289 accumulated depreciation	<u>758,006</u>
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Total assets	<u>7,889,607</u>
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Liabilities

## Current liabilities:

Accounts payable	93,467
Accrued compensated absences	29,263
Other payables	11,064
Total current liabilities	<u>133,794</u>

## Non-current liabilities:

Estimated liability for landfill closure and post closure care costs	<u>968,366</u>
Total liabilities	<u>1,102,160</u>

Net assets

## Restricted for:

Closure	332,074
Post closure care	1,174,270
Unrestricted	4,523,097
Invested in capital assets	<u>758,006</u>

Total net assets	<u>\$ 6,787,447</u>
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See accompanying notes to financial statements.

## MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

### Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30, 2012

Operating revenues:	
Gate fees	\$ 1,901,837
Finance charges	4,962
Total operating revenues	<u>1,906,799</u>
Operating expenses:	
Salaries	249,611
Employee benefits	84,100
Machinery maintenance, labor and parts	65,588
Oil and gas	91,906
Long range planning and engineering	225,093
Site maintenance	86,225
Site utilities	4,966
Office expenses	4,373
Legal and accounting	8,536
Insurance	12,978
Closure and post closure care costs	208,091
Planning and recycling expenses	51,756
Iowa Department of Natural Resources tonnage fees	172,754
Depreciation	192,635
Miscellaneous	10,166
Total operating expenses	<u>1,468,778</u>
Operating income	<u>438,021</u>
Non-operating revenues (expenses):	
Interest income	95,867
Gain (loss) on disposal of property and equipment	<u>(7,030)</u>
Net non-operating revenues	<u>88,837</u>
Change in net assets	526,858
Net assets, beginning of year	<u>6,260,589</u>
Net assets, end of year	<u>\$ 6,787,447</u>

See accompanying notes to financial statements.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Statement of Cash Flows  
For the Year Ended June 30, 2012**

Cash flows from operating activities:	
Cash received from gate fees	\$ 2,082,803
Cash received from finance charges	4,962
Cash payments to suppliers for goods and services	(802,070)
Cash payments to employees for services	(249,611)
Net cash provided (used) by operating activities	<u>1,036,084</u>
Net increase (decrease) in cash	1,036,084
Cash at beginning of year	<u>311,004</u>
Cash at end of year	<u><u>\$ 1,347,088</u></u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:	
Operating income	\$ <u>438,021</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	192,635
Closure and post closure costs	208,091
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	184,181
Increase (decrease) in payables	16,371
Increase (decrease) in accrued payables	(3,215)
Total adjustments	<u>598,063</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,036,084</u></u>

See accompanying notes to financial statements.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2012

### Note 1 – Summary of Significant Accounting Policies

Mahaska County Solid Waste Management Commission was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Mahaska County for use by all residents of the County.

The Commission is composed of representatives from the member cities and Mahaska County. The member cities are: Oskaloosa, Beacon, Keomah Village, New Sharon, Rose Hill, Fremont, Leighton and Barnes City. Each member shall be entitled to one vote, except Oskaloosa, which has four, and Mahaska County, which has four.

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).

#### A. Reporting Entity

For financial reporting purposes, Mahaska County Solid Waste Management 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 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. Mahaska County Solid Waste Management Commission has no component units which meet the GASB criteria.

#### B. Basis of Presentation

The accounts of Mahaska County Solid Waste Management Commission 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 that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2012

### Note 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 Investments

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, they have an original maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2012 included certificates of deposit of \$4,020,403.

Accounts Receivable – The Commission carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Commission evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

The Commission's policy is to accrue interest on trade receivables 30 days after invoice date. A receivable is considered past due if the Commission has not received payments for 90 days. At that time, the Commission will discontinue accruing interest and turn the account over for collection. If a payment is made after it has been turned over for collection, the Commission will apply the payment to the outstanding principal first and resume accruing interest. Accounts are written off as uncollectible if no payments are received 90 days after they have been turned over for collection.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2012

### Note 1 – Summary of Significant Accounting Policies (Continued)

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

Restricted Assets – Funds set aside for payment of closure and post closure care costs are classified as restricted. These funds are invested in brokered certificates of deposit and a U.S. Government zero coupon bond.

Capital Assets – Capital assets are accounted for at historical cost or estimated historical cost where historical cost is not available. Capital assets are defined by the Commission as assets with initial, individual costs in excess of \$5,000. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and lease improvements are depreciated over 15-39 years and equipment is depreciated over a 5-10 year life.

The cost of repairs 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.

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 year ended June 30, 2012.

Compensated Absences – Commission employees accumulated 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 has been computed based on rates of pay in effect at June 30, 2012, which was \$23,563 and the Commission's share of applicable IPERS was \$1,909 and FICA/Medicare was \$1,810.

Commission employees are compensated at December 31, for unused, accumulated sick days in excess of 80 days, not to exceed 12 days. The Commission's liability for the excess accumulated sick leave has been computed based on rates of pay in effect at June 30, 2012, which was \$1,712 and the Commission's share of applicable IPERS was \$138 and FICA/Medicare was \$131.

These amounts have been reflected as a liability.

#### E. Date of Management Review

Management has evaluated subsequent events through August 27, 2012, the date which the financial statements were available to be issued.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) 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 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.

Investments in debt securities are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

### Note 3 – Fair Value Measurement

The Commission has implemented FASB ASC Subtopic 820-10, *Fair Value Measurements*. FASB ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Subtopic 820-10 are described below:

#### Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table presents by level, within the fair value hierarchy, the Commission's investment assets at fair value, as of June 30, 2012. As required by FASB ASC Subtopic 820-10, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

(continued)

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Notes to Financial Statements (Continued)  
June 30, 2012**

Note 3 – Fair Value Measurement (Continued)

<u>Description</u>	<u>June 30, 2012</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Brokered certificates of deposit	\$ <u>622,717</u>	-	<u>622,717</u>	-
	\$ <u>622,717</u>	-	<u>622,717</u>	-

In addition to quoted market prices in active markets, valuation techniques for Level 2 inputs included:

- The fair value of the brokered certificates of deposit is based on comparable quoted prices available on comparable investments.

Note 4 – 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.

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 contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$18,712, \$16,243, and \$14,384, respectively, equal to the required contributions for each year.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Notes to Financial Statements (Continued)  
June 30, 2012**

**Note 5 – Capital Assets**

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land and improvements	\$ <u>82,200</u>	<u>-</u>	<u>-</u>	<u>82,200</u>
Capital assets being depreciated:				
Buildings	219,758	-	(15,463)	204,295
Equipment and vehicles	<u>1,935,787</u>	<u>-</u>	<u>(1,987)</u>	<u>1,933,800</u>
Total capital assets being depreciated	<u>2,155,545</u>	<u>-</u>	<u>(17,450)</u>	<u>2,138,095</u>
Less accumulated depreciation for:				
Buildings	125,077	8,248	(9,091)	124,234
Equipment and vehicles	<u>1,154,997</u>	<u>184,387</u>	<u>(1,329)</u>	<u>1,338,055</u>
Total accumulated depreciation	<u>1,280,074</u>	<u>192,635</u>	<u>(10,420)</u>	<u>1,462,289</u>
Total capital assets being depreciated, net	<u>875,471</u>	<u>(192,635)</u>	<u>(7,030)</u>	<u>675,806</u>
Total capital assets, net	\$ <u>957,671</u>	<u>(192,635)</u>	<u>(7,030)</u>	<u>758,006</u>

**Note 6 – Closure and Post Closure Care Costs**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post closure plan and to provide funding necessary to effect closure and post closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post closure 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.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2012

### Note 6 – Closure and Post Closure Care Costs (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post closure 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.

The total costs for Mahaska County Solid Waste Management Commission have been estimated at \$332,074 for closure and \$1,174,270 for post closure for a total of \$1,506,344 as of June 30, 2012, and the portion of the liability that has been recognized is \$968,366. These amounts are based on what it would cost to perform all closure and post closure care during the year ended June 30, 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is approximately 25 years and the capacity used at June 30, 2012 is 64 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post closure care accounts to accumulate resources for the payment of closure and post closure care costs. The Commission has accumulated resources to fund these costs and, at June 30, 2012, assets of \$1,619,637 are restricted for these purposes of which \$357,049 is for closure and \$1,262,588 is for post closure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), the Commission is over funded and therefore it is not necessary to demonstrate any additional financial assurance for the funding of the closure and post closure costs.

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and post closure care account requirements. Accordingly, the landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2012

### Note 7 – 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, there were no unspent amounts retained by the Commission and restricted for the required purposes.

### Note 8 – Local Government Risk Pool

Mahaska County Solid Waste Management Commission has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool. The pool was formed July 1, 1987 to provide worker's compensation and property/casualty insurance to counties in the State of Iowa. At present, ten counties are members of the pool. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost. There have been no reductions in insurance coverage from prior years.

Each member is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member county against any person or other entity legally responsible for damages for said loss, and in such event, the member is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the premiums on the insurance policies when due; to pay claims in accordance with the various coverages and to make other payments as required by applicable law; to establish and accumulate a reserve or reserves which are deemed advisable or required by law to carry out the purpose of the risk pool; and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2012 which covers exposure of specific losses in excess of \$350,000 per occurrence up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general and automobile liability. The workman's compensation policy obtained for the year ended June 30, 2012 covered exposures of \$350,000, up to the above stated maximum including retention of the pool. The coverage for workman's compensation was statutory. The risk pool fund records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2012, 2011, and 2010 the risk pool fund reported a surplus of pool assets over liabilities.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2012

### Note 8 – Local Government Risk Pool (Continued)

Members retain the risk of claims, if any, exceeding maximum reinsurance coverage and the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member in addition to the premium contributions. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the pool for the year ended June 30, 2012 were \$24,221. Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member may withdraw at the end of any given fiscal year.

### Note 9 – Major Customer

The Commission received 75% of its operating receipts from one company during the year ended June 30, 2012. The same company has receivables amounting to 63% of all accounts receivable as of June 30, 2012.

### Note 10 – Subsequent Event

During the year ended June 30, 2012, the Commission entered into an agreement with Tri County, Inc. to construct a new scale house building structure. The work is scheduled to commence on or before August 20, 2012 and be substantially completed by October 1, 2012. The contract is valued at \$82,800 with progress payments based on percentage of completion to be submitted monthly. The bid from Tri County, Inc. was presented, along with three other bids, at the July 12, 2012 Commission meeting and was approved at that time.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Independent Auditors' Report on Internal Control  
Schedule of Findings**

**June 30, 2012**



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

To the Members of Mahaska County Solid  
Waste Management Commission:

We have audited the accompanying financial statements of Mahaska County Solid Waste Management Commission as of and for the year ended June 30, 2012, and have issued our report thereon dated August 27, 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

The management of Mahaska County Solid Waste Management Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Mahaska County Solid Waste Management 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 an opinion on the effectiveness of Mahaska County Solid Waste Management Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahaska County Solid Waste Management Commission's internal control over financial reporting.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies as items 1, 2 and 3 in the accompanying Schedule of Findings to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska County Solid Waste Management 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 financial statements of the Commission. 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.

Mahaska County Solid Waste Management Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Mahaska County Solid Waste Management Commission's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mahaska County Solid Waste Management 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.

*TDE&T Financial Group, P.C.*

August 27, 2012

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Schedule of Findings Year Ended June 30, 2012

### Findings Related to the Financial Statements:

#### Material Weaknesses:

- 1) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control over each of the following areas for the Commission:
  1. Accounting System – record keeping for revenues and expenses, and related reporting.
  2. Receipts – collecting, depositing, journalizing and posting.
  3. Payroll – changes to master list, preparation and distribution.
  4. Bank Reconciliation – preparation and maintenance of accounting records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. 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. However, we will have the manager or another official review receipts, and posting on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- 2) Material Adjustments – During the audit, we identified material amounts of assets, liabilities, revenues and expenses not reported correctly in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly report these amounts in the financial statements.

Recommendation – The Commission should record investment income on the trust account as well as the estimated current year closure and post closure care costs. The Commission should record DNR fees as an expense rather than as a reduction of revenue.

Response – We will record these items in the future.

Conclusion – Response accepted.

(continued)

MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION

Schedule of Findings (Continued)  
Year Ended June 30, 2012

Findings Related to the Financial Statements (Continued):

Material Weaknesses (Continued):

- 3) Preparation of Financial Statements in Accordance with Accounting Principles Generally Accepted in the United States of America – Internal controls are not in place in order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Recommendation – We recommend that personnel in charge of accounting receive additional training in order to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America.

Response – The Commission is looking into the process.

Conclusion – Response accepted.

Instances of Noncompliance

No matters were reported

(continued)

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Schedule of Findings (Continued)  
Year Ended June 30, 2012**

Other Findings Related to Statutory Reporting:

- (A) Official Depositories – The Commission has adopted a resolution naming official depositories and the depository amount was not exceeded.
- (B) 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.
- (C) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (D) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (E) Deposits and Investments – No instance of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted.
- (F) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2012, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (G) Financial Assurance – The Commission has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Post Closure</u>
Total estimated costs for closure and post closure care	\$ 332,074	1,174,270
Less: Balance of funds held in the local dedicated fund at June 30, 2011 plus amount delinquent for prior year	( 157,007)	(1,098,390)
	( 175,067)	( 75,880)
Divided by the number of years remaining in the pay-in period	÷ _____ -	_____ -
Required payment into the local dedicated fund for the year ended June 30, 2012	-	-
Balance of funds held in the local dedicated fund at June 30, 2011	<u>157,007</u>	<u>1,098,390</u>
Required balance of funds held in the local dedicated fund at June 30, 2012	\$ <u>332,074</u>	<u>1,174,270</u>
Amount Commission has restricted and reserved for closure and post closure care at June 30, 2012	\$ <u>357,049</u>	<u>1,262,588</u>

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Staff

This audit was performed by:

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