

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

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

June 30, 2013

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
Wayne Hook	Secretary-Treasurer	City of Oskaloosa
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
Alven Meppelink	Member	City of Oskaloosa
Steve Thomas	Manager	

Offices located in:

Burlington
(319) 753-9877
Cedar Rapids
(319) 393-2374
Centerville
(641) 437-4296
Fairfield
(641) 472-6171
Mt. Pleasant
(319) 385-3026



TD&T Financial Group, P.C.

Offices located in:

Muscatine
(563) 264-2727
Oskaloosa
(641) 672-2523
Ottumwa
(641) 683-1823
Pella
(641) 628-9411
Sigourney
(641) 622-1013

Independent Auditors' Report

To the Members of Mahaska County Solid
Waste Management Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Mahaska County Solid Waste Management Commission as of and for the year ended June 30, 2013, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mahaska County Solid Waste Management Commission as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require 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 U.S. generally accepted auditing standards, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the Mahaska County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mahaska County Solid Waste Management Commission's internal control over financial reporting and compliance.

TDE&T Financial Group, P.C.

November 12, 2013
Oskaloosa, Iowa

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, 2013. 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 7%, or \$126,839, from fiscal 2012 to fiscal 2013. Gate fees increased.
- The Commission's operating expenses decreased 7%, or \$97,118, from fiscal 2013 to fiscal 2012.
- The Commission's net position increased 10%, or \$669,169, from June 30, 2012 to June 30, 2013. Net position as of June 30, 2012, was restated for capital assets previously recorded at an incorrect amount.

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 Position presents information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position 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 Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position for fiscal 2013 totaled approximately \$7,390,000. This compares to approximately \$6,720,000 for fiscal 2012 (restated). A summary of the Commission's net position is presented below.

	Net Position	
	June 30,	
	<u>2013</u>	<u>2012</u> <i>(Restated)</i>
Current assets	\$ 6,197,232	5,511,964
Restricted investments	1,652,971	1,619,637
Capital assets at cost, less accumulated depreciation	<u>749,490</u>	<u>688,184</u>
Total assets	<u>8,599,693</u>	<u>7,819,785</u>
Current liabilities	182,530	133,794
Non-current liabilities	<u>1,030,369</u>	<u>968,366</u>
Total liabilities	<u>1,212,899</u>	<u>1,102,160</u>
Net position:		
Invested in capital assets	749,490	688,184
Restricted	622,602	651,271
Unrestricted	<u>6,014,702</u>	<u>5,378,170</u>
Total net position	\$ <u>7,386,794</u>	<u>6,717,625</u>

A portion of the Commission's net position (9%) 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 (10%, e.g., land, buildings and equipment) are resources allocated to capital assets. The remaining net position (81%) can be used to meet the Commission's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Position

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 position for the years ended June 30, 2013 and 2012 is presented below:

Changes in Net Position		
	Year Ended June 30,	
	<u>2013</u>	<u>2012</u> <i>(Restated)</i>
Operating revenue:		
Gate fees	\$ 2,029,555	1,901,837
Other operating revenues	<u>4,083</u>	<u>4,962</u>
Total operating revenue	<u>2,033,638</u>	<u>1,906,799</u>
Operating expenses:		
Salaries	277,064	249,611
Employee benefits	89,208	84,100
Machinery maintenance, labor and parts	111,999	65,588
Oil and gas	135,060	91,906
Long range planning and engineering	152,826	225,093
Site maintenance	99,157	86,225
Site utilities	8,256	4,966
Office expense	9,183	4,373
Legal and accounting	8,070	8,536
Insurance	13,418	12,978
Closure and post closure care costs	63,788	208,091
Planning and recycling expenses	51,756	51,756
Iowa Department of Natural Resources tonnage fees	182,356	172,754
Depreciation	147,681	179,773
Miscellaneous	<u>8,976</u>	<u>10,166</u>
Total operating expenses	<u>1,358,798</u>	<u>1,455,916</u>
Operating income	<u>674,840</u>	<u>450,883</u>
Non-operating revenues (expenses):		
Interest income	70,724	95,867
Gain (loss) on disposal of property and equipment	<u>(76,395)</u>	<u>(7,030)</u>
Net non-operating revenue	<u>(5,671)</u>	<u>88,837</u>
Change in net position	669,169	539,720
Net position beginning of year	<u>6,717,625</u>	<u>6,177,905</u>
Net position end of year	\$ <u>7,386,794</u>	<u>6,717,625</u>

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

In fiscal 2013, operating revenues increased by \$126,839 or 7%, primarily a result of an increase in rates charged for out of county tonnage. Operating expenses decreased by \$97,118, or 7%.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, and capital and related financing 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 and proceeds from sales of capital assets.

CAPITAL ASSETS

At June 30, 2013, the Commission had approximately \$2,250,000 invested in capital assets, net of accumulated depreciation of approximately \$1,500,000. Depreciation charges totaled \$147,681 for fiscal 2013. More detailed information about the Commission's capital assets is presented in Note 4 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 Position
June 30, 2013**

Assets

Current assets:

Cash and cash equivalents	\$ 1,809,254
Investments	4,065,485
Accounts receivable, less allowance for doubtful accounts of \$2,556	300,972
Accrued interest receivable	21,521
Total current assets	<u>6,197,232</u>

Restricted assets:

Investments	1,652,971
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Capital assets, net of \$1,500,313 of accumulated depreciation

749,490

Total assets

<u>8,599,693</u>

Liabilities

Current liabilities:

Accounts payable	101,540
Accrued compensated absences	33,698
Accrued expenses	47,292
Total current liabilities	<u>182,530</u>

Non-current liabilities:

Estimated liability for landfill closure and post closure care costs	<u>1,030,369</u>
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Total liabilities

<u>1,212,899</u>

Net position

Invested in capital assets	749,490
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Restricted for:

Closure	127,950
Post closure care	494,652

Unrestricted	<u>6,014,702</u>
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Total net position

\$ <u><u>7,386,794</u></u>

See accompanying notes to financial statements.

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013**

Operating revenues:	
Gate fees	\$ 2,029,555
Finance charges	4,083
Total operating revenues	<u>2,033,638</u>
Operating expenses:	
Salaries	277,064
Employee benefits	89,208
Machinery maintenance, labor and parts	111,999
Oil and gas	135,060
Long range planning and engineering	152,826
Site maintenance	99,157
Site utilities	8,256
Office expenses	9,183
Legal and accounting	8,070
Insurance	13,418
Closure and post closure care costs	63,788
Planning and recycling expenses	51,756
Iowa Department of Natural Resources tonnage fees	182,356
Depreciation	147,681
Miscellaneous	8,976
Total operating expenses	<u>1,358,798</u>
Operating income	<u>674,840</u>
Non-operating revenues (expenses):	
Interest income	70,724
Loss on disposal of property and equipment	<u>(76,395)</u>
Net non-operating revenues (expenses)	<u>(5,671)</u>
Change in net position	669,169
Net position, beginning of year, as restated	<u>6,717,625</u>
Net position, end of year	<u>\$ 7,386,794</u>

See accompanying notes to financial statements.

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Flows For the Year Ended June 30, 2013

Cash flows from operating activities:	
Cash received from gate fees	\$ 1,863,007
Cash received from finance charges	4,083
Cash payments to suppliers for goods and services	(846,913)
Cash payments to employees for services	(272,629)
Net cash provided by operating activities	<u>747,548</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of property and equipment	1,002
Purchase of property and equipment	(286,384)
Net cash used by capital and related financing activities	<u>(285,382)</u>
Net increase in cash and cash equivalents	462,166
Cash and cash equivalents, beginning of year	<u>1,347,088</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,809,254</u></u>
Reconciliation of change in net position to net cash provided by operating activities:	
Operating income	\$ <u>674,840</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	147,681
Closure and post closure costs	62,003
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(185,712)
Increase (decrease) in payables	8,073
Increase (decrease) in compensated absences	4,435
Increase (decrease) in accrued payables	36,228
Total adjustments	<u>72,708</u>
Net cash provided by operating activities	<u><u>\$ 747,548</u></u>
Noncash activity:	
Trade of property and equipment	<u><u>\$ 95,500</u></u>

See accompanying notes to financial statements.

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2013

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, 2013

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 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 Position:

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, 2013 included certificates of deposit of \$5,718,456.

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 money market account.

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, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Investments (Continued)

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, 2013.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2013, which was \$27,377 and the Commission's share of applicable IPERS was \$2,374 and FICA/Medicare was \$2,094.

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, 2013, which was \$1,593 and the Commission's share of applicable IPERS was \$138 and FICA/Medicare was \$122.

These amounts have been reflected as a liability.

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements (Continued) June 30, 2013

Note 2 – Cash and Investments

The Commission's deposits in banks at June 30, 2013 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 ensure 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 are comprised of money market funds and certificates of deposit with local financial institutions. All investments are carried at historical cost.

Note 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 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 5.78% of their annual covered salary and the Commission is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$21,671, \$18,712, and \$16,243, respectively, equal to the required contributions for each year.

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Notes to Financial Statements (Continued)
June 30, 2013**

Note 4 – Capital Assets

A summary of capital assets at June 30, 2013, is as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
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	204,295	92,226	(8,285)	288,236
Equipment and vehicles	<u>1,843,769</u>	<u>289,658</u>	<u>(254,060)</u>	<u>1,879,367</u>
Total capital assets being depreciated	<u>2,048,064</u>	<u>381,884</u>	<u>(262,345)</u>	<u>2,167,603</u>
Less accumulated depreciation for:				
Buildings	124,234	8,183	(4,761)	127,656
Equipment and vehicles	<u>1,317,846</u>	<u>139,498</u>	<u>(84,687)</u>	<u>1,372,657</u>
Total accumulated depreciation	<u>1,442,080</u>	<u>147,681</u>	<u>(89,448)</u>	<u>1,500,313</u>
Total capital assets being depreciated, net	<u>605,984</u>	<u>234,203</u>	<u>(172,897)</u>	<u>667,290</u>
Total capital assets, net	\$ <u>688,184</u>	<u>234,203</u>	<u>(172,897)</u>	<u>749,490</u>

Note 5 – 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, 2013

Note 5 – 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 \$310,400 for closure and \$1,200,000 for post closure for a total of \$1,510,400 as of June 30, 2013, and the portion of the liability that has been recognized is \$1,030,369. These amounts are based on what it would cost to perform all closure and post closure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is approximately 20 years and the capacity used at June 30, 2013 is 68 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, 2013, assets of \$1,652,971 are restricted for these purposes of which \$339,700 is for closure and \$1,313,271 is for post closure care. They are reported as restricted investments and restricted net position on the Statement of Net Position.

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, 2013

Note 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, 2013, there were no unspent amounts retained by the Commission and restricted for the required purposes.

Note 7 – 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, 2013 which covers exposure of specific losses in excess of \$400,000 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, 2013 covered exposures of \$750,000, 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, 2013, 2012, and 2011 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, 2013

Note 7 – 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, 2013, 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, 2013, were \$26,707. 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 8 – Major Customer

The Commission received 75% of its operating receipts from one company during the year ended June 30, 2013. The same company has receivables amounting to 88% of all accounts receivable as of June 30, 2013.

Note 9 – Prior Period Restatements

During the current year, it was discovered that \$90,031 of losses on traded-in equipment were improperly included in the cost of the acquired equipment. As a result, capital assets as of June 30, 2012 were reduced by \$90,031, accumulated depreciation was reduced by \$20,209, and invested in capital assets net position was reduced by \$69,822.

It was also discovered that restricted net position was incorrectly calculated as the total estimated closure and post closure costs. As a result, net position, beginning of year, has been restated to reclassify \$855,073 from restricted to unrestricted.

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

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

June 30, 2013

Offices located in:
Burlington
(319) 753-9877
Cedar Rapids
(319) 393-2374
Centerville
(641) 437-4296
Fairfield
(641) 472-6171
Mt. Pleasant
(319) 385-3026



Offices located in:
Muscatine
(563) 264-2727
Oskaloosa
(641) 672-2523
Ottumwa
(641) 683-1823
Pella
(641) 628-9411
Sigourney
(641) 622-1013

TD&T Financial Group, P.C.

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, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mahaska County Solid Waste Management Commission as of and for the year ended June 30, 2013, and the related notes to financial statements, and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mahaska County Solid Waste Management Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, 2013 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

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication not suitable for any other purpose.

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.

Oskaloosa, Iowa
November 12, 2013

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings Year Ended June 30, 2013

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 utilizing currently available staff or board members.

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, posting and payroll 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. In addition, the Commission should record an estimate for annual depreciation expense.

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, 2013

Findings Related to the Financial Statements (Continued):

Material Weaknesses (Continued):

- 3) Preparation of Financial Statements – The Commission does not have staff with the relevant knowledge and experience to prepare complete financial statements, including footnote disclosures, in accordance with accounting principles generally accepted in the United States of America.

Recommendation – We recognize that this type of knowledge is very specialized and it is not cost effective for management to obtain this type of education and training. As a result, we will continue to draft the financial statements and submit the draft for management's approval.

Response – The Commission will continue to monitor the process.

Conclusion – Response accepted.

Instances of Noncompliance

No matters were noted.

(continued)

**MAHASKA COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Schedule of Findings (Continued)
Year Ended June 30, 2013**

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 we believe 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 – 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.
- (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	\$ 310,400	1,200,000
Less: Balance of funds held in the local dedicated fund at June 30, 2012 plus amount delinquent for prior year	(357,049)	(1,262,588)
	(46,649)	(62,588)
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, 2013	-	-
Balance of funds held in the local dedicated fund at June 30, 2012	<u>357,049</u>	<u>1,262,588</u>
Required balance of funds held in the local dedicated fund at June 30, 2013	\$ <u>310,400</u>	<u>1,200,000</u>
Amount Commission has restricted and reserved for closure and post closure care at June 30, 2013	\$ <u>339,700</u>	<u>1,313,271</u>

MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

Staff

This audit was performed by:

TD&T Financial Group, P.C.
317 High Avenue East
Oskaloosa, Iowa 52577

Personnel:
Courtney De Ronde, CPA, Engagement Partner
Glen Swanson, CPA, Manager
Jaime Schrader, CPA, Manager
Kristen Irwin, CPA, Staff Intern