

Des Moines County Regional Solid Waste Commission

Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Report on Internal Control and Compliance
Schedule of Findings

June 30, 2014

C o n t e n t s

	Page
Commission Members	1
Independent Auditor's Report	2 - 4
Management's Discussion and Analysis	5 - 9
Basic Financial Statements	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13 - 26
Required Supplementary Information	
Schedule of Funding Progress for the Retiree Health Care Plan	27
Supplementary Information	
Supplemental Schedule of Revenue and Expenses	28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29 - 30
Schedule of Findings	31 - 32

**Des Moines County Regional Solid Waste Commission
Commission Members
June 30, 2014**

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



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary fund of Des Moines County Regional Solid Waste Commission (Commission), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the Commission's 2013 financial statements and, in our report dated November 8, 2013, we expressed an unqualified opinion on those 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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 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 auditor's 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 that 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 respective financial position of the Commission as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, as of July 1, 2013, the Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Care Plan, as listed in the table of contents, 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The supplemental schedule of revenue and expenses is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the Commission's internal control over financial reporting and on 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 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 Commission's internal control over financial reporting and compliance.

CPA Associates PC

November 6, 2014

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

Des Moines County Regional Solid Waste Commission (Commission) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 2%, or \$77,251, from fiscal year 2013 to fiscal year 2014.
- Operating expenses decreased \$29,217 from fiscal year 2013 to fiscal year 2014. These expenses were within the approved budget, and a majority of the decrease is attributable to lower costs associated with regulatory assistance and leachate control and a decline in repairs and maintenance costs. Some of these decreased operating expenses were partially offset with increased expenses in other areas, which included utilities, closure and postclosure care and depreciation.
- The Commission's net position increased \$162,235 from fiscal 2013 to fiscal 2014.
- Capital expenditures in fiscal 2014 included man lift, tractor and tank, dozer, construction costs for Area 1C, as well as continued engineering and construction costs on Leachate Recirculation and Evaporation projects.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net 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, nonoperating revenues and expenses, and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

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

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

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net 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 totaled \$8,579,152 at June 30, 2014, a \$162,235 increase from 2013.

A summary of the Commission's net position at June 30, 2014 and 2013 is shown below:

	2014	Restated 2013
Assets:		
Current assets	\$ 3,562,027	\$ 3,361,564
Restricted CDs and investments	1,812,320	1,796,770
Capital assets, less accumulated depreciation	<u>9,112,230</u>	<u>8,914,964</u>
Total assets	<u>14,486,577</u>	<u>14,073,298</u>
Liabilities:		
Current liabilities	523,712	812,986
Noncurrent liabilities	<u>5,383,713</u>	<u>4,843,395</u>
Total liabilities	<u>5,907,425</u>	<u>5,656,381</u>
Net Position:		
Invested in capital assets, net of related debt	4,133,618	4,303,389
Restricted	1,114,199	1,242,499
Unrestricted	<u>3,331,335</u>	<u>2,871,029</u>
Total net position	<u>\$ 8,579,152</u>	<u>\$ 8,416,917</u>

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

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

Summary of Operations and Changes in Net Position

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

A summary of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 is presented below:

	2014	Restated 2013
Operating revenue:		
Gate receipts	\$ 2,373,153	\$ 2,469,943
Recycling	270,483	259,891
Waste management fees	757,952	745,187
Other	<u>66,972</u>	<u>70,790</u>
Total operating revenue	<u>3,468,560</u>	<u>3,545,811</u>
Operating expenses:		
Salaries and benefits	1,313,517	1,320,841
Repairs and maintenance	186,169	222,534
Insurance	89,124	93,122
Regulatory assistance and leachate control	126,696	286,253
Garbage and drop-off collection	27,164	26,667
Wood grinding and tire disposal	14,958	13,525
Utilities	69,581	50,413
Telephone	5,654	4,313
Supplies, furniture and equipment	196,444	199,700
Contract service	63,014	64,668
DNR tonnage fees	102,275	107,021
Travel and training	12,342	13,387
Recycling rebates	48,345	40,560
Depreciation	806,993	725,454
Landfill closure and postclosure care	143,850	67,286
Other	<u>35,759</u>	<u>35,358</u>
Total operating expenses	<u>3,241,885</u>	<u>3,271,102</u>
Operating income	226,675	274,709
Nonoperating revenues (expenses), net	<u>(64,440)</u>	<u>(82,481)</u>
Change in net position	162,235	192,228
Net position, beginning of year, restated	<u>8,416,917</u>	<u>8,224,689</u>
Net position, end of year	<u>\$ 8,579,152</u>	<u>\$ 8,416,917</u>

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

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

In fiscal year 2014, operating revenues decreased by \$77,251, or 2%. Operating expenses decreased \$29,217, or 1%.

Nonoperating expenses (net) decreased by \$18,041 in fiscal year 2014, primarily due to the decline in interest expense and an increase in investment returns over prior year.

Statement of Cash Flows

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

CAPITAL ASSETS

At June 30, 2014, the Commission had \$9,112,230 invested in capital assets, net of accumulated depreciation of \$6,849,952. Depreciation charges totaled \$806,993 for fiscal year 2014. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

LONG-TERM LIABILITIES

At June 30, 2014, the Commission had \$4,978,612 in debt outstanding, an increase of \$367,037 from 2013. The debt consists of loans payable to Des Moines County, as well as, draws on the \$4,226,000 State Revolving Loan Funds Revenue Bond from the Iowa Finance Authority that was issued on July 7, 2010. The Commission has also recorded a liability of \$698,121 for closure and postclosure care costs, a \$143,850 increase from 2013. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

ECONOMIC FACTORS

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

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

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

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

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

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

Des Moines County Regional Solid Waste Commission
Statement of Net Position
June 30, 2014

Assets

Current assets:

Cash and cash equivalents	\$ 1,693,919
Certificates of deposit	1,614,957
Accounts receivable	229,751
Prepaid expenses	11,569
Accrued interest income	4,855
Inventory, at cost	<u>6,976</u>
Total current assets	<u>3,562,027</u>

Noncurrent assets:

Certificates of deposit, restricted for loan reserve fund	308,500
Cash, certificates of deposits and investments, at fair value, restricted for closure and postclosure	1,503,820
Capital assets, net of accumulated depreciation	<u>9,112,230</u>
Total noncurrent assets	<u>10,924,550</u>

Total assets	<u>14,486,577</u>
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Liabilities

Current liabilities:

Accounts payable	107,175
Accrued expenses	66,537
Loan payable	<u>350,000</u>
Total current liabilities	<u>523,712</u>

Long-term liabilities:

Loans payable, net of current portion	4,628,612
Net OPEB liability	4,145
Accrued termination benefits	52,835
Landfill closure and postclosure care	<u>698,121</u>
Total noncurrent liabilities	<u>5,383,713</u>

Total liabilities	<u>5,907,425</u>
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Net Position

Invested in capital assets, net of related debt	4,133,618
Restricted for:	
Closure and postclosure care, net of related long-term liability	805,699
Loan reserve fund	308,500
Unrestricted	<u>3,331,335</u>
Total net position	<u>\$ 8,579,152</u>

See notes to financial statements.

Des Moines County Regional Solid Waste Commission
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014 with Comparative Totals for 2013

	2014	Restated 2013 Comparative Totals
Operating revenues		
Gate receipts	\$ 2,373,153	\$ 2,469,943
Drop-off reimbursement	23,522	22,857
Recycling	270,483	259,891
Hazardous waste fees and reimbursements	43,450	47,933
Waste management fees	<u>757,952</u>	<u>745,187</u>
Total operating revenues	<u>3,468,560</u>	<u>3,545,811</u>
Operating expenses		
Salaries	874,367	893,091
Payroll taxes	145,457	147,611
Employee benefits	293,693	280,139
Workers' compensation insurance	42,703	47,677
Safety	11,417	10,818
Inspection and regulatory assistance	38,615	69,132
Garbage and drop-off collection	27,164	26,667
Wood grinding and tire disposal	14,958	13,525
Leachate control and well sampling	88,081	217,121
Repairs and maintenance	186,169	222,534
Utilities	69,581	50,413
Telephone	5,654	4,313
Insurance	46,421	45,445
Supplies	185,684	195,658
Advertising and public education	23,255	23,454
Equipment and equipment rent	10,760	4,042
Contract service	63,014	64,668
DNR tonnage fees	102,275	107,021
Shipping	1,080	1,080
Travel and training	12,342	13,387
Sales tax	7	6
Recycling rebates	48,345	40,560
Depreciation	806,993	725,454
Landfill closure and postclosure care	49,030	44,149
Change in closure and postclosure care estimate	<u>94,820</u>	<u>23,137</u>
Total operating expenses	<u>3,241,885</u>	<u>3,271,102</u>
Operating income	<u>226,675</u>	<u>274,709</u>
Nonoperating revenues (expenses)		
Investment return	23,724	26,880
Investment return restricted for closure and postclosure care	15,615	8,596
Interest expense	(121,628)	(151,926)
'Recycled 2 You' net sales (costs)	(171)	(35)
Gain/(loss) on sale of equipment	(16,329)	12,113
Grant income	25,279	20,000
Miscellaneous income (expense)	<u>9,070</u>	<u>1,891</u>
Net nonoperating revenues (expenses)	<u>(64,440)</u>	<u>(82,481)</u>
Change in net position	162,235	192,228
Net position, beginning of year, restated	<u>8,416,917</u>	<u>8,224,689</u>
Net position, end of year	<u>\$ 8,579,152</u>	<u>\$ 8,416,917</u>

See notes to financial statements.

Des Moines County Regional Solid Waste Commission
Statement of Cash Flows
Year Ended June 30, 2014

Cash Flows from Operating Activities	
Cash received from gate fees	\$ 2,414,060
Cash received from waste management fees	759,262
Cash received from other operating receipts	343,989
Cash payments to suppliers for goods and services	(1,267,014)
Cash payments to employees for services	<u>(1,284,272)</u>
Net cash provided by operating activities	<u>966,025</u>
Cash Flows from Noncapital Financing Activities	
Other receipts	<u>8,899</u>
Net cash provided by noncapital financing activities	<u>8,899</u>
Cash Flows from Capital and Related Financing Activities	
Loan proceeds	743,463
Principal payments on loans	(356,424)
Interest payments on loans	(121,628)
Purchase of capital assets	<u>(1,020,588)</u>
Net cash used by capital and related financing activities	<u>(755,177)</u>
Cash Flows from Investing Activities	
Redemption of certificates of deposit and investments	1,019,358
Purchase of certificates of deposit and investments	(1,040,867)
Interest income	<u>24,994</u>
Net cash provided by investing activities	<u>3,485</u>
Net increase in cash and cash equivalents	223,232
Cash and cash equivalents, beginning of year	<u>1,470,687</u>
Cash and cash equivalents, end of year	<u>\$ 1,693,919</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	<u>\$ 226,675</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	806,993
Changes in assets and liabilities:	
Decrease in accounts receivable	48,751
Decrease in prepaid expenses	22
Increase in inventory	(421)
Decrease in accounts payable and net OPEB liability	(264,027)
Increase in accrued expenses	4,182
Landfill closure and postclosure care accrual	<u>143,850</u>
Total adjustments	<u>739,350</u>
Net cash provided by operating activities	<u>\$ 966,025</u>
Supplemental Disclosure of Noncash Financing Activities	
Grant income from forgiveness of SWAP loan	\$ 20,000

See notes to financial statements.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

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

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

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

Reporting Entity

For financial reporting purposes, the Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Entity to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Entity. The Commission has no component units which meet the GASB criteria.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Commission are prepared in accordance with accounting principles generally accepted in the United States of America. The Commission's reporting entity applies all relevant GASB pronouncements. During the year ended June 30, 2014, the Commission adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The accounts of the Commission are primarily 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.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The financial statements are accounted for using the flow of 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.

Assets, Liabilities and Net Position

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, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2014 included certificates of deposit totaling \$2,017,212.

Accounts Receivable - Accounts receivable at June 30, 2014 consist of receivables for landfill fees, recycling fees and waste management fees.

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

Restricted Cash, Certificates of Deposit and Investments - Certificates of deposit set aside for the Commission's loan reserve fund obligation and for payment of closure and postclosure care costs is classified as restricted. Investments set aside for payment of closure and postclosure care costs is classified as restricted. Cash in a money market fund has also been set aside for payment of closure and postclosure care costs and is classified as restricted.

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

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

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

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation is reported as an accrued expense and has been computed based on rates of pay in effect at June 30, 2014.

Estimates

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

Summarized Financial Information for 2013

The financial information for the year ended June 30, 2013, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Subsequent Events

The Commission performed an evaluation of subsequent events through November 6, 2014, which is the date the financial statements were issued. There are no subsequent events that require disclosure or recognition in the financial statements as of June 30, 2014.

Note 2. Cash and Investments

The Commission's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositors to insure there will be no loss of public funds.

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

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 2. Cash and Investments (continued)

At June 30, 2014, the Commission has invested in certificates of deposit as follows:

Danville Savings Bank	1.00 %	maturing 7/5/2014	\$ 161,292
Danville Savings Bank	1.25 %	maturing 12/2/2015	343,507
Danville Savings Bank	1.25 %	maturing 10/25/2014	271,258
Danville Savings Bank	1.25 %	maturing 1/11/2015	226,572
Danville Savings Bank	1.50 %	maturing 4/9/2015	376,619
Two Rivers Bank & Trust	0.42 %	maturing 12/5/2014	256,723
Two Rivers Bank & Trust	0.42 %	maturing 1/30/2015	153,195
Two Rivers Bank & Trust	0.42 %	maturing 8/28/2014	134,291
Two Rivers Bank & Trust	0.42 %	maturing 8/2/2014	61,620
Two Rivers Bank & Trust	0.42 %	maturing 7/25/2014	<u>32,135</u>
			<u>\$ 2,017,212</u>
Restricted certificate of deposit - Bond Reserve			\$ 308,500
Restricted certificates of deposit - Financial Assurance			93,755
Unrestricted certificates of deposit			<u>1,614,957</u>
			<u>\$ 2,017,212</u>

In addition to the certificates of deposit restricted for closure and postclosure financial assurance above, the Commission also restricted a money market account totaling \$415,571 for this purpose, as well as, investments in U.S. Treasury STRIPs and Financing Corporation (FICO) Zero Coupon stripped interest payments (all restricted for closure and postclosure financial assurance). The FICO STRIPs are not rated; however are issued by Financing Corporation, which is an Agency of the U.S. government.

U.S. Treasury Bond stripped interest payment, maturing August 15, 2016	\$ 857,052
Financing Corporation Zero Coupon stripped interest payments, maturing December 6, 2018 to September 26, 2019	<u>137,442</u>
Total investments at fair value	<u>\$ 994,494</u>

Note 3. Accounts Receivable

As of June 30, 2014, accounts receivable consist of the following:

Landfill tipping fees	\$ 137,959
Waste management fees	65,700
Recycling	20,813
Other	<u>5,279</u>
	<u>\$ 229,751</u>

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 4. Capital Assets

A summary of capital assets at June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ <u>208,413</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>208,413</u>
Capital assets, being depreciated:				
Building	3,026,340	-	-	3,026,340
Equipment, furniture and fixtures	3,289,678	474,482	(260,208)	3,503,952
Landfill expansion/improvement	<u>8,613,496</u>	<u>609,981</u>	<u>-</u>	<u>9,223,477</u>
Total capital assets being depreciated	<u>14,929,514</u>	<u>1,084,463</u>	<u>(260,208)</u>	<u>15,753,769</u>
Less accumulated depreciation for:				
Building	1,243,474	111,969	-	1,355,443
Equipment, furniture and fixtures	2,392,190	258,212	(180,005)	2,470,397
Landfill expansion/improvement	<u>2,587,299</u>	<u>436,813</u>	<u>-</u>	<u>3,024,112</u>
Total accumulated depreciation	<u>6,222,963</u>	<u>806,994</u>	<u>(180,005)</u>	<u>6,849,952</u>
Total capital assets being depreciated, net	<u>8,706,551</u>	<u>277,469</u>	<u>(80,203)</u>	<u>8,903,817</u>
Capital assets, net	\$ <u>8,914,964</u>	\$ <u>277,469</u>	\$ <u>(80,203)</u>	\$ <u>9,112,230</u>

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

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

Note 5. Termination Benefits

The Commission's sick leave policy allows qualifying employees to receive one half of their unused accumulated sick leave as compensation immediately upon elective retirement. Employees must have worked for the Commission for at least fifteen years and reached the age of fifty-five. As of June 30, 2014, four employees qualified for the benefit with a total liability of \$52,835. There were no termination benefit expenditures during the year ended June 30, 2014.

Note 6. Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 6. Pension and Retirement Benefits (continued)

Plan members are required to contribute 5.95% of their annual salary and the Commission is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$77,569, \$75,172, and \$70,264, respectively, equal to the required contributions for each year.

Note 7. Closure and Postclosure Care

To comply with federal and state requirements, the Commission is required to complete a monitoring system plan and a closure and postclosure plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

GASB Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, technology, or applicable laws or regulations. Although closure and postclosure costs will be paid as the landfill closes individual cells and near or after the date that the landfill stops accepting waste, the Commission reports a portion of these closure and postclosure care costs as a liability based on landfill capacity used as of each Statement of Net Position date.

These costs for the Commission have been estimated at \$2,664,481 closure cost for the 39.76 acres currently open and \$1,328,884 postclosure care for the entire permitted area. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The portion of the liability that has been recognized is \$698,121, which represents the cumulative amount reported to date based on the use of 32% of the estimated permitted capacity of the landfill. The Commission will recognize the remaining estimated cost of closure and postclosure care for the entire permitted area of \$4,584,599 as the remaining estimated permitted capacity is filled. The estimated remaining life of the permitted capacity is 71 years as of June 30, 2014.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 7. Closure and Postclosure Care (continued)

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs, and at June 30, 2014, assets of \$1,503,820 are restricted for these purposes, of which \$876,426 is for closure and \$627,394 is for postclosure care. They are reported as restricted investments on the Statement of Net Position.

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

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

Note 8. Jointly-governed Organization

The Commission is a participant in the Joint Safety Committee (JSC). The JSC is a cooperative effort by the Commission, the City of Burlington, Des Moines County, and the Burlington Municipal Waterworks to monitor and improve on-the-job safety conditions and to assist in complying with Occupational Safety and Health Administration regulations. The Commission currently provides one member of the six member Committee. The Commission contributed \$5,344 in fiscal year 2014 to the JSC for operating expenses.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 9. Loans Payable

Change in loans payable for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
SWAP loan, hazardous chemical center	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -
SWAP loan, shingle recycling	7,500	-	(7,500)	-	-
Des Moines County Bonds	1,415,000	-	(345,000)	1,070,000	350,000
Iowa Finance Authority Bonds	3,165,149	743,463	-	3,908,612	-
Bank Loan	3,926	-	(3,926)	-	-
	<u>\$ 4,611,575</u>	<u>\$ 743,463</u>	<u>\$ (376,426)</u>	<u>\$ 4,978,612</u>	<u>\$ 350,000</u>

SWAP Loans

The Commission was selected by the Iowa Department of Natural Resources to participate in a Solid Waste Alternatives Program (SWAP) project. The Commission has received various awards related to this project.

One award provided \$99,908 for the construction of a hazardous chemical center in the form of a forgivable loan of \$20,000 and a zero interest loan of \$79,908. The loan was payable in quarterly payments of \$3,995 ending July 15, 2013. The \$20,000 forgivable loan was recognized in nonoperating income as grant income for the year ending June 30, 2014.

A second award was to reimburse up to \$30,000 for expenditures related to the construction of a shingle recycling pad in the form of a forgivable loan. The Commission submitted and received reimbursement requests of \$7,500 as of June 30, 2013. However, the Commission suspended the project and the \$7,500 previously received was repaid to the Iowa Department of Natural Resources during the year ended June 30, 2014.

Des Moines County Bonds

Des Moines County (County) issued General Obligation Capital Loan Notes (Series 2007 Notes) dated October 1, 2007 in the amount of \$3,085,000 and loaned the proceeds to the Commission to finance expansion of the Commission's existing solid waste facilities. The Commission issued a Solid Waste Revenue Bond (2007 Bonds) to the County for the full amount of the Series 2007 Notes, which is payable in the amounts and at the same times and interest rates as those of the Series 2007 Notes. The 2007 Bonds and the interest are payable solely and only out of the net earnings of the Commission's Solid Waste System. All proceeds of the Bonds have been expended for expansion of the Commission's existing solid waste facilities as of June 30, 2014.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 9. Loans Payable (continued)

The County was able to effectuate debt service savings by the advance refunding of the Series 2007 Notes and agreed to pass along the debt service savings to the Commission as a result of the refunding. On November 15, 2011 the Commission approved the amended funding agreement and authorized and provided for the issuance of \$2,025,000 Solid Waste Revenue Bonds (Series 2011 Bonds). The Series 2011 Bonds mature with annual debt service payments ending June 1, 2017, bearing incrementally increasing interest rates ranging from 3.95% to 1.45%. The Commission is responsible for principal, interest and issuance costs related to the 2011 Series Note and 2011 Series Bonds. In accordance with the resolution, as of June 30, 2014, the Commission has restricted certificates of deposit totaling \$308,500 representing the reserve fund available to make payments on the 2011 Series Bonds in the event revenues are insufficient.

Iowa Finance Authority Bonds

The Commission issued State Revolving Loan Funds Revenue Bonds on July 7, 2010, dated July 1, 2010, in the amount of \$4,226,000 for various landfill projects necessary to meet current standards governing the design and operation of landfills. The Bonds mature June 1, 2033 with annual debt service payments beginning June 1, 2016. The Bonds bear interest at 3.00% which is payable on December 1 and June 1. As of June 30, 2014, the Commission's total related debt was \$3,908,612.

Bank Loan

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

Secured Letter of Credit

The Commission has a secured letter of credit from Danville State Savings Bank for \$966,000 as part of their Financial Assurance Instrument to secure closure and postclosure care costs. The letter of credit is secured by substantially all Commission assets. No amounts have been drawn on the letter of credit during the year ended June 30, 2014.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 9. Loans Payable (continued)

Details of the Commission's indebtedness are as follows:

	<u>Des Moines County Bond</u>		Interest <u>Rate</u>
	<u>Principal</u>	<u>Interest</u>	
Year ended June 30, 2015	\$ 350,000	\$ 19,393	2.00 %
Year ended June 30, 2016	355,000	12,392	2.00
Year ended June 30, 2017	<u>365,000</u>	<u>5,290</u>	1.45
	<u>\$ 1,070,000</u>	<u>\$ 37,075</u>	

	<u>State Revolving Loan Funds Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2015	\$ -	\$ 124,789
Year ended June 30, 2016	157,000	126,780
Year ended June 30, 2017	162,000	122,070
Year ended June 30, 2018	167,000	117,210
Year ended June 30, 2019	172,000	112,200
Years ended June 30, 2020-2024	940,000	480,480
Years ended June 30, 2025-2029	1,089,000	330,810
Years ended June 30, 2030-2034	<u>1,221,612</u>	<u>157,320</u>
	<u>\$ 3,908,612</u>	<u>\$ 1,571,659</u>

Note 10. Solid Waste Tonnage Fees Retained

The Commission restricts and uses those portions of solid waste tonnage fees retained in accordance with Chapter 455B.310 of the Code of Iowa. As of June 30, 2014, there were no unspent solid waste tonnage fees retained by the Commission that were required to be restricted.

Note 11. Unrestricted Net Position Designated by the Commission

Remediation/Closure

As of June 30, 2014, the Commission had designated \$230,159 for landfill closure and postclosure care and corrective action, in addition to the financial assurance deposits required by State regulations.

Equipment Replacement

As of June 30, 2014, the Commission had designated \$522,894 for replacement of equipment used at the landfill.

Facility Improvements

As of June 30, 2014, the Commission had designated \$850,000 for construction related to future expansion of the landfill.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 12. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by membership in government risk-sharing pools, as allowed by Chapter 670.7 of the Code of Iowa.

The Commission is a member of the Iowa Communities Assurance Pool and the Iowa Municipalities Workers' Compensation Association (Pools). The Pools are local government risk-sharing pools whose members include various governmental entities throughout the State of Iowa. The Pools provide coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, boiler/machinery and workers' compensation. There have been no reductions in insurance coverage from prior years during the year ended June 30, 2014.

Each member's annual casualty contributions to the Iowa Communities Assurance Pool (Pool) fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Cumulative Reserve Fund contributions are made during the first six years of membership and are maintained to equal 200 to 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

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

Note 13. Commitments and Contingencies

The Commission has outstanding commitments for regulatory and cell expansion contracts at the sanitary landfill totaling \$676,486.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 14. Other Postemployment Benefits (OPEB)

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

The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Commission, an amount actuarially determined in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Commission's annual OPEB cost for the year ended June 30, 2014 and the changes in the Commission's net OPEB obligation:

Annual required contribution	\$ 941
Interest on net OPEB obligation	41
Adjustment to annual required contribution	<u>(132)</u>
Annual OPEB cost	850
Contributions made	<u>-</u>
Increase in net OPEB obligation	850
Net OPEB obligation, beginning of year	<u>3,295</u>
Net OPEB obligation, end of year	<u>\$ 4,145</u>

The Commission's annual OPEB cost and the net OPEB obligations are as follows:

Fiscal Year Ended	Annual OPEB Cost	Net OPEB Obligation
6/30/2014	\$ 850	\$ 4,145
6/30/2013	874	3,295
6/30/2012	807	2,421

As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability was \$7,678, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,678. The covered payroll (annual payroll of covered employees by the plan) was approximately \$893,000 and the ratio of UAAL to covered payroll was approximately .86%. As of June 30, 2014 and 2013, there were no trust fund assets.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are used to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2013, the most recent actuarial valuation date, the normal actuarial cost method was used. The actuarial assumptions include a 1.25% discount rate based on the Commission's funding policy.

Note 15. Prospective Accounting Change

GASB has issued one Statement not yet implemented by the Commission. Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, will be effective for the Commission for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments that provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a liability for the Commission's proportionate share of the employee pension plan. In the year that Statement No. 68 is implemented, the beginning Net Position will be retroactively restated for prior periods presented. The Commission's management has not yet determined the effect this Statement will have on the Commission's financial statements.

Des Moines County Regional Solid Waste Commission
Notes to Financial Statements

Note 16. Prior Period Adjustment

During the year ended June 30, 2014, net position was adjusted for the adoption of GASB No. 65, which resulted in the elimination of prepaid debt issuance costs. The effect of the change on net position as of June 30, 2013 and 2012 is a decrease of \$64,338 and \$80,337, respectively.

The financial statements for the year ended June 30, 2013 have been restated as follows:

	Net Investment in Capital Assets	<u>Restricted</u>	<u>Unrestricted</u>	<u>Net Position</u>
As previously reported, June 30, 2013	\$ 4,303,389	\$ 1,242,499	\$ 2,935,367	\$ 8,481,255
Accounting adjustment GASB No. 65	<u>-</u>	<u>-</u>	<u>(64,338)</u>	<u>(64,338)</u>
As restated	<u>\$ 4,303,389</u>	<u>\$ 1,242,499</u>	<u>\$ 2,871,029</u>	<u>\$ 8,416,917</u>

The Statement of Revenues, Expenses and Changes in Fund Net Position for the year ended June 30, 2013 proforma is as follows:

	<u>Change in Net Position</u>
As previously reported, June 30, 2013	\$ 176,229
Accounting adjustment GASB No. 65	<u>15,999</u>
	<u>\$ 192,228</u>

**Des Moines County Regional Solid Waste Commission
Schedule of Funding Progress
for the Retiree Health Care Plan
Required Supplementary Information**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	\$ -	\$ 7,678	\$ 7,678	- %	\$ 893,000	0.86 %
6/30/2010	\$ -	\$ 6,405	\$ 6,405	- %	\$ 784,000	0.82 %

Des Moines County Regional Solid Waste Commission
Supplementary Schedule of Revenue and Expenses
Year Ended June 30, 2014

	Landfill (includes HHW beginning in FY2013)	Recycling Processing	Recycling Collection	General and Administration	Total
Operating revenues					
Gate receipts	\$ 2,373,153	\$ -	\$ -	\$ -	\$ 2,373,153
Drop-off reimbursement	-	-	23,522	-	23,522
Recycling	-	270,483	-	-	270,483
Hazardous waste fees and reimbursements	43,450	-	-	-	43,450
Waste management fees	63,461	527,213	167,278	-	757,952
Total operating revenues	<u>2,480,064</u>	<u>797,696</u>	<u>190,800</u>	<u>-</u>	<u>3,468,560</u>
Operating expenses					
Salaries	357,397	139,845	171,663	205,462	874,367
Payroll taxes	60,357	24,596	26,329	34,175	145,457
Employee benefits	116,937	61,823	63,313	51,620	293,693
Workers' compensation insurance	21,437	10,334	10,334	598	42,703
Safety	4,697	4,755	1,866	99	11,417
Inspection and regulatory assistance	38,615	-	-	-	38,615
Garbage and drop-off collection	-	3,180	23,984	-	27,164
Wood grinding and tire disposal	14,958	-	-	-	14,958
Leachate control and well sampling	88,081	-	-	-	88,081
Repairs and maintenance	156,947	19,408	9,814	-	186,169
Utilities	47,782	21,799	-	-	69,581
Telephone	-	-	1,133	4,521	5,654
Insurance	-	-	-	46,421	46,421
Supplies	141,168	14,231	17,478	12,807	185,684
Advertising and public education	-	2,895	-	20,360	23,255
Equipment and equipment rent	10,125	635	-	-	10,760
Contract service	45,244	161	7,505	10,104	63,014
DNR tonnage fees	102,275	-	-	-	102,275
Shipping	-	1,080	-	-	1,080
Travel and training	5,974	-	-	6,368	12,342
Sales tax	7	-	-	-	7
Recycling rebates	-	48,345	-	-	48,345
Depreciation	717,685	61,562	17,257	10,489	806,993
Landfill closure and postclosure	49,030	-	-	-	49,030
Change in closure and postclosure care estimate	94,820	-	-	-	94,820
Total operating expenses	<u>2,073,536</u>	<u>414,649</u>	<u>350,676</u>	<u>403,024</u>	<u>3,241,885</u>
Operating income (deficit)	<u>\$ 406,528</u>	<u>\$ 383,047</u>	<u>\$ (159,876)</u>	<u>\$ (403,024)</u>	226,675
Nonoperating revenues (expenses)					
Investment return					23,724
Investment return restricted for closure and postclosure care					15,615
Interest expense					(121,628)
'Recycled 2 You' net retail sales					(171)
Loss on sale of equipment					(16,329)
Grant income					25,279
Miscellaneous income (expense)					<u>9,070</u>
Change in net position					<u>\$ 162,235</u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards of applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the proprietary fund of Des Moines County Regional Solid Waste Commission (Commission), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the Commission's financial statements. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Commission's Responses to Findings

The Commission's response to the finding identified in our audit are described in the accompanying Schedule of Findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Des Moines County Regional Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

November 6, 2014

Des Moines County Regional Solid Waste Commission
Schedule of Findings
Year Ended June 30, 2014

Finding Related to the Financial Statements:

Significant Deficiency:

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

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

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

Conclusion - Response accepted.

Other Findings Related to Statutory Reporting:

- (1) Questionable Expenses - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (4) Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.
- (5) Solid Waste Fees Retained - No instances of noncompliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

**Des Moines County Regional Solid Waste Commission
Schedule of Findings
Year Ended June 30, 2014**

Other Findings Related to Statutory Reporting (continued):

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

Local government dedicated fund:	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 2,664,481	\$ 1,328,884
Less: amount Commission had restricted and reserved for closure and postclosure care at July 31, 2013 (unaudited)	(869,235)	(622,174)
Less: closure and postclosure care cost estimates being assured by a letter of credit = \$966,000	<u>(562,985)</u>	<u>(403,015)</u>
Closure and postclosure care cost estimates being assured by the local government financial test mechanism = \$1,535,956, which does not exceed the limit of \$1,536,257.	<u>\$ 1,232,261</u>	<u>\$ 303,695</u>

Calculation of local government financial mechanism test limit:

Annual revenue for year ended June 30, 2013	\$ 3,572,691
Annual revenue multiplied by 43%, the limit of closure and postclosure care costs that may be assured under the local government test mechanism	\$ 1,536,257