

**RATHBUN AREA SOLID WASTE
MANAGEMENT COMMISSION**

CENTERVILLE, IOWA

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

June 30, 2009

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

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RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Officials
June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Governmental Jurisdiction</u>
Ralph Alshouse	Chairman	City of Seymour, Iowa
Marsha Mitchell	Vice-chairman	City of Centerville, Iowa
Glenn Moritz	Commission Member	City of Centerville, Iowa
Jody McDanel	Commission Member	Appanoose County, Iowa
Jean Morrison	Commission Member	City of Cincinnati, Iowa
Jim Casteel	Commission Member	City of Exline, Iowa
Gary Harris	Commission Member	City of Moulton, Iowa
Pearl Seals	Commission Member	City of Mystic, Iowa
Wendell DeVore	Commission Member	City of Plano, Iowa
Eric Pace	Commission Member	City of Udell, Iowa
Pat Nicoletto	Commission Member	City of Unionville, Iowa
Leonard Jondle	Commission Member	City of Promise City, Iowa
Charles Turner	Commission Member	City of Moravia, Iowa
Jennifer Frampton	Secretary/Treasurer	



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Burlington
Cedar Rapids
Fairfield
Mt. Pleasant
Oskaloosa
Ottumwa
Pella
Sigourney

Independent Auditors' Report

To the Members of the Commission
Rathbun Area Solid Waste Management Commission
Centerville, Iowa

We have audited the accompanying financial statement of the Rathbun Area Solid Waste Management Commission for the year ended June 30, 2009. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Rathbun Area Solid Waste Management Commission as of June 30, 2009 and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 1, 2010 on our consideration of Rathbun Area 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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

TD&T Financial Group, P.C.

Centerville, Iowa
April 1, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rathbun Area Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Rathbun Area Solid Waste Management Commission is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2009 FINANCIAL HIGHLIGHTS

- Operating receipts increased 11%, or approximately \$96,000, from fiscal 2008 to fiscal 2009.
- Operating disbursements decreased 0.5%, or approximately \$3,000, from fiscal 2008 to fiscal 2009.
- Cash basis net assets decreased 38% or approximately \$675,000 from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues, and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to the Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the Rathbun Area Solid Waste Management Commission's cash balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest and loss on investments, grant income, insurance proceeds, loan payments, and capital projects. Summaries of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2009 and June 30, 2008 are presented below:

<u>Changes in Cash Basis Net Assets</u>		
	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating receipts:		
Gate and recycling fees	\$ 930,622	849,756
Reimbursements	<u>14,806</u>	<u>-</u>
Total operating receipts	<u>945,428</u>	<u>849,756</u>
Operating disbursements:		
Wages and benefits	181,572	175,634
Contractor fees	-	171,057
Landfill fees	247,503	104,738
Other	<u>265,143</u>	<u>246,169</u>
Total operating disbursements	<u>694,218</u>	<u>697,598</u>
Excess of operating receipts over operating disbursements	<u>251,210</u>	<u>152,158</u>
Non-operating receipts (disbursements):		
Interest on investments	36,853	67,195
Loss on investments	(7,533)	-
Grant income	37,770	-
Insurance proceeds	92,048	227,808
Loan proceeds	-	1,513,050
Bond issuance costs	-	(17,244)
Loan payments	(142,158)	(50,068)
Post-closure	(507,493)	-
Recycling center startup	(16,708)	-
Capital expenditures	<u>(397,483)</u>	<u>(1,490,836)</u>
Net non-operating receipts (disbursements)	<u>(904,704)</u>	<u>249,905</u>
Net change in cash basis net assets	(653,494)	402,063
Cash basis net assets, beginning of year, as restated (see Note 11)	<u>1,749,386</u>	<u>1,369,130</u>
Cash basis net assets, end of year	\$ <u>1,095,892</u>	<u>1,771,193</u>

In fiscal 2009, operating receipts increased \$95,672, or 11%, from fiscal 2008. The increase was primarily a result of an increase in the tipping fee from \$58/ton to \$80/ton. Also, the transfer station was opened in November of 2007, so fiscal 2009 was the first full year of operations for this facility. The tonnage delivered to the transfer station can fluctuate from year to year based on several factors including the economy and local industrial activity. It is not uncommon to have yearly fluctuations of 10% up or down. In fiscal 2009, operating disbursements decreased by \$3,380 or 0.5%, from fiscal 2008.

A portion of the Commission's net assets, \$664,287 (61%), is restricted for post-closure care. State and federal laws and regulations require the Commission to perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Other restricted net assets decreased \$625,700, or 69%, due primarily to the resolution of closure care costs, and the completion of the recycling center in June 2009. Unrestricted net assets decreased \$9,214, or 6%.

LONG-TERM DEBT

At June 30, 2009, the Commission had \$1,465,000 of debt outstanding, a decrease of \$75,000 from June 30, 2008. The debt consists of a loan payable to Appanoose County.

ECONOMIC FACTORS

The financial position of the Commission did not improve in the current fiscal year as construction projects and the landfill post-closure costs decreased net assets. The current condition of the economy in the State continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities and equipment require constant maintenance and upkeep.
- Market rates for recycled goods continue to be unstable due to economic changes. In February of 2009, recycling markets bottomed out at \$27.50 per ton, down from previous year rates at \$125.00 per ton. The markets show signs of improving. If the markets do not improve, recycling will continue to be a losing part of the operation.
- The transfer station tonnage appears to be as budgeted. However, economic concerns could drastically lower the volume of the transfer station. We constantly monitor monthly tonnages, and are prepared to adjust accordingly.

The building of the recycling center was completed in June of 2009. Operations began in July 2009. The regional collection center was completed, and began operation in July 2009 as well. Closure work at the old landfill site was completed in October of 2008. The Commission anticipates the current fiscal year will be one of transition, and will maintain a close watch over resources to maintain the ability to react to issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designated 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 Rathbun Area Solid Waste Management Commission at 3020 McCarty Street, Centerville, IA 52544.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets Year Ended June 30, 2009

Operating receipts:	
Gate and recycling fees	\$ 930,622
Reimbursements	14,806
Total operating receipts	<u>945,428</u>
Operating disbursements:	
Advertising	1,960
Automobile expenses	4,220
Bank service charges	1,062
Co-marketing	10,291
Contractor's fees	522
Dues and subscriptions	492
Disposal fees	12,848
Drug and alcohol testing	1,011
Education and training	1,438
Engineering fees	6,231
Fuel expense	43,538
Health and dental insurance	41,793
Insurance	11,389
Interest	203
Licenses and permits	205
Miscellaneous	1,647
Office supplies and postage	3,649
Payroll taxes	22,287
Penalties	54
Pension contributions (IPERS)	11,259
Professional fees	19,688
Repairs and maintenance	30,296
Sales tax expense	10,930
South Central Iowa Solid Waste Commission fees	247,503
Supplies	1,836
Testing	15,549
Travel	190
Utilities	10,555
Wages	181,572
Total operating disbursements	<u>694,218</u>
Excess of operating receipts over operating disbursements	<u>251,210</u>

(continued)

See accompanying notes to the financial statement.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets (Continued) Year Ended June 30, 2009

Non-operating receipts (disbursements):	
Investment interest	36,853
Investment loss	(7,533)
Grant receipts	37,770
Insurance proceeds	92,048
Bond payments	(142,158)
Post-closure	(507,493)
Recycling center startup	(16,708)
Capital expenditures	(397,483)
Net non-operating receipts (disbursements)	<u>(904,704)</u>
Change in cash basis net assets	(653,494)
Cash basis net assets, beginning of year, as restated (see Note 11)	<u>1,749,386</u>
Cash basis net assets, end of year	<u><u>\$ 1,095,892</u></u>
Cash basis net assets:	
Restricted for:	
Post-closure care, at cost	\$ 664,287
Transfer station construction	148,911
Transfer station closure	31,573
Bond sinking fund	41,808
Regional collection center construction	33,489
Comprehensive planning	28,136
Total restricted net assets	<u>948,204</u>
Unrestricted	<u>147,688</u>
Total cash basis net assets	<u><u>\$ 1,095,892</u></u>

See accompanying notes to the financial statement.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2009

Note 1 – Summary of Significant Accounting Policies

The Rathbun Area Solid Waste Management Commission was created in 1983 pursuant to the provisions of Chapter 28E of the Code of Iowa to develop, operate and maintain solid waste facilities for and on behalf of the participating governmental units.

The governing body of the Commission is composed of one representative from each of the thirteen member cities and one representative from Appanoose County. The member cities are: Centerville, Cincinnati, Exline, Moravia, Moulton, Mystic, Numa, Plano, Promise City, Rathbun, Seymour, Udell, and Unionville. The commissioners are appointed by the participating political subdivisions.

A. Reporting Entity

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

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued)

June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Rathbun Area Solid Waste Management Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statement does not present financial position and results of operations of the Commission in accordance with accounting principles generally accepted in the United States of America.

D. Restricted Cash Basis Net Assets

Funds set aside for payment of closure and postclosure care are classified as restricted.

E. Date of Management's Review

Management has evaluated subsequent events through April 1, 2010, the date which the financial statements were available to be issued.

Note 2 – Cash and Investments

The Commission's deposits in banks at June 30, 2009 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 depositories to insure there will be no loss of public funds.

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

Investments are stated at cost. At June 30, 2009, the Commission had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Fixed income	\$ <u>481,633</u>	<u>487,959</u>

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2009

Note 2 – Cash and Investments (Continued)

Interest rate risk: The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Commission.

Credit risk: The Commission's investment in government securities at June 30, 2009 were rated AAA by Moody's Investors service.

Concentration of credit risk: The Commission places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Commission's investments are in government securities.

Note 3 – Pension and Retirement System

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 4.10% of their annual salary and the Commission is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$11,259, \$8,980 and \$7,212, respectively, equal to the required contributions for each year.

Note 4 – Employee Benefits

The Commission's employees accumulate earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as expenditures by Rathbun Area Solid Waste Management Commission until used or paid. The Commission's approximate liability for earned vacation and sick leave payments to employees, based on rates of pay in effect as of June 30, 2009, are as follows:

<u>Type of Benefit</u>	<u>Amount at June 30, 2009</u>
Sick leave	\$ 866
Vacation	<u>4,381</u>
	\$ <u>5,247</u>

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2009

Note 5 – Loans Payable

Appanoose County issued General Obligation Capital Loan Notes dated September 1, 2007 in the amount of \$1,540,000 to be used by the Commission to finance construction of the Commission's transfer station. The notes mature with annual debt service payments ending June 1, 2027, bearing incrementally increasing interest rates ranging from 4.15% to 4.70%. The Commission is responsible for principal, interest and issuance costs related to the notes. Annual principal and interest payments on the bonds are expected to require less than 80 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,096,312. For the current year, principal and interest paid and total customer net receipts were \$141,758 and \$251,210, respectively.

Annual debt service requirements to maturity for revenue notes are as follows:

Year Ending <u>June 30,</u>	Appanoose County Bonds	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 80,000	63,645
2011	80,000	60,325
2012	85,000	57,005
2013	90,000	53,478
2014	90,000	49,743
2015	95,000	46,008
2016	60,000	42,065
2017	65,000	39,575
2018	65,000	36,845
2019	70,000	34,082
2020	75,000	31,072
2021	75,000	27,810
2022	80,000	24,510
2023	85,000	20,950
2024	85,000	17,125
2025	90,000	13,257
2026	95,000	9,117
2027	<u>100,000</u>	<u>4,700</u>
Totals	\$ <u>1,465,000</u>	<u>631,312</u>

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2009

Note 5 – Loans Payable (Continued):

The resolutions providing for the issuance of the Capital Loan Notes include the following provisions:

- A. The notes are to be redeemed from the future earnings of the Rathbun Area Solid Waste Management Commission and the bond holders hold a lien on the future earnings of the Rathbun Area Solid Waste Management Commission.
- B. Sufficient monthly cash transfers shall be made to the Operation and Maintenance Fund to meet the current expenses of the month plus an amount equal to one-twelfth of the expenses payable on an annual basis.
- C. Sufficient monthly cash transfers shall be made to the Solid Waste Revenue Note and Interest Sinking Fund for the purpose of making the note principal and interest payments when due.

This account can only be used for the retirement of note principal and interest.

- D. No Reserve Fund shall be created or maintained for the Notes, so long as no Parity Debt is issued and outstanding.

Note 6 – Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and 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. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2009

Note 6 – Risk Management (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as disbursements 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, 2009 were \$11,676.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2009

Note 6 – Risk Management (Continued)

The Commission is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA). Member premiums paid to the 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 exceeded 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 7 – Closure and Post-Closure Care

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 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.

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 consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring 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.

These costs for the Commission have been estimated to be \$482,510 for post-closure as of June 30, 2009. On December 3, 2007 the Commission ceased operation at its landfill and the closure process was begun.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2009

Note 7 – Closure and Post-Closure 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 post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun to accumulate resources to fund these costs and, at June 30, 2009, assets of \$664,287 are restricted for post-closure care. They are reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

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 Commission is not required to establish closure and post-closure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Note 8 – Transfer Station Closure Care

To comply with state regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Commission is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Commission as of June 30, 2009 have been estimated at \$31,596. The Rathbun Area Solid Waste Management Commission accumulated resources to fund these costs and, at June 30, 2009, assets with a fair value of \$31,573 are restricted for this purpose.

Note 9 – 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. At June 30, 2009, the Commission had unspent tonnage fees of \$28,136.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2009

Note 10 – Fire, Insurance Settlement and Use of Proceeds

On March 23, 2008, the building housing the Recycling Center was destroyed by fire. The Commission's insurance provider made a cash settlement during the year ended June 30, 2008 for the building loss and related clean-up. The Commission received a portion of this settlement, \$227,808, during the fiscal year ended June 30, 2008 and the remainder of \$92,408 during the fiscal year ended June 30, 2009. The Commission replaced the Recycling Center during the fiscal year ended June 30, 2009.

Note 11 – Restatements

The cash basis net assets at the beginning of the year have been restated to adjust realized gains and losses from bond discounts and premiums. For several years, the Commission only recognized return of principle on their investments, however the cost basis of their investments was also changing each month due to the realized gains and losses on bond premiums and discounts. The Commission has elected to begin adjusting the cost basis of their investments by these realized gains and losses each month. The restatement decreased the beginning balance of cash basis net assets by \$40,359.

The cash basis net assets at the beginning of the year have also been restated to include a cash balance held by Appanoose County, related to the issuance of bonds in fiscal year 2008. The restatement increased the beginning balance of net assets by \$18,552.

Balance June 30, 2008, as previously reported	\$1,771,193
Adjustment to cost basis of investments	(40,359)
Cash balance not previously reported	<u>18,552</u>
Balance June 30, 2009, as restated	<u>\$1,749,386</u>



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

To the Members of the Commission
Rathbun Area Solid Waste Management Commission
Centerville, Iowa

We have audited the financial statement of the Rathbun Area Solid Waste Management Commission as of and for the year ended June 30, 2009, and have issued our report thereon dated April 1, 2010. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rathbun Area Solid Waste Management Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rathbun Area Solid Waste Management Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Rathbun Area Solid Waste Management Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Rathbun Area Solid Waste Management Commission's financial statement that is more than inconsequential will not be prevented or detected by the Rathbun Area Solid Waste Management Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Rathbun Area Solid Waste Management Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described in the Schedule of Findings are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rathbun Area Solid Waste Management Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement 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.

The Rathbun Area 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 Rathbun Area Solid Waste Management Commission's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Rathbun Area 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.

TD&T Financial Group, P.C.

Centerville, Iowa
April 1, 2010

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings For the Year Ended June 30, 2009

Findings related to the financial statement:

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 that are incompatible. One person has primary control over each of the following areas for the Commission:
 1. Accounting system – record keeping for receipts and disbursements and related reporting
 2. Receipts – collecting, depositing, journalizing and posting.
 3. Payroll – edits to master list, preparation and distribution.
 4. Bank reconciliation – preparation and maintenance of accounting records.

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

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager or another official review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- 2) Preparation of Financial Statements in Accordance with Accounting Principles Generally Accepted in the United States of America – Management does not possess adequate knowledge and training in order to prepare financial statements, including required disclosures, in accordance with accounting principles generally accepted in the United States of America. Internal controls should be in place to provide reasonable assurance that the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Misstatements of the financial statement and omissions of required disclosures could occur and not be detected.

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

Response – We will obtain training for bookkeepers so they may be sufficiently knowledgeable to prepare a financial statement in accordance with accounting principles generally accepted in the United States of America.

Conclusion – Response accepted.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings (Continued) For the Year Ended June 30, 2009

Instances of Non-Compliance

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. Questionable Disbursements – We noted no disbursements that we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
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 non-compliance 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 Retainage – 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.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings (Continued) For the Year Ended June 30, 2009

Other findings related to required statutory reporting (continued):

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

	<u>Closure</u>	<u>Post-closure</u>
Landfill		
Total estimated costs for post-closure care	\$ <u> - </u>	<u>482,510</u>
Amount Commission has restricted and reserved for post-closure care at June 30, 2009	\$ <u> - </u>	<u>664,287</u>
Transfer Station		
Total estimated costs for closure care	\$ 31,596	
Less balance of funds held in local dedicated fund at June 30, 2009.	<u>31,573</u>	<u> - </u>
Required payment into local dedicated fund at June 30, 2009.	\$ <u> 23 </u>	<u> - </u>
Amount Commission has restricted and reserved for closure at June 30, 2009.	\$ <u>31,573</u>	<u> - </u>

The Commission has not demonstrated financial assurance for closure care for the Transfer Station by designating a sufficient amount in a dedicated fund.

Recommendation – The Commission should transfer a sufficient amount to the dedicated fund to demonstrate financial assurance for closure and post-closure care.

Response – We will transfer \$23 into the Transfer Station closure account.

Conclusion – Response accepted.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Staff

This audit was performed by:

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