



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ October 26, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the South Dallas County Landfill Agency.

The Agency had total receipts of \$698,041 for the year ended June 30, 2011, a 5.3% decrease from the prior year. The receipts included landfill gate receipts of \$567,576 and a member assessment of \$15,912.

Disbursements for the year totaled \$776,718, a 27.2% increase over the prior year, and included \$244,091 for salaries and benefits, \$154,157 for capital outlay and \$99,427 for repair and maintenance. The significant increase in disbursements is primarily due to a project started in fiscal year 2011 to develop a new cell.

A copy of the audit report is available for review at the South Dallas County Landfill Agency, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1114-2317-B00F.pdf>.

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**SOUTH DALLAS COUNTY LANDFILL AGENCY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2011

Table of Contents

| | <u>Page</u> |
|---|----------------|
| Officials | 3 |
| Independent Auditor's Report | 5 |
| Management's Discussion and Analysis | 7-9 |
| Financial Statement: | <u>Exhibit</u> |
| Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets | A 12 |
| Notes to Financial Statement | 13-18 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with <u>Government Auditing Standards</u> | 21-22 |
| Schedule of Findings | 23-24 |
| Staff | 25 |

**South Dallas County Landfill Agency
Officials**

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|-----------------|--------------|---------------------|
| Shirley McAdon | Chairperson | City of Adel |
| Vickie Moorhead | Director | N/A |

South Dallas County Landfill Agency



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Independent Auditor's Report

To the Member of the South Dallas County Landfill Agency:

We have audited the accompanying financial statement of the South Dallas County Landfill Agency as of and for the year ended June 30, 2011. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the South Dallas County Landfill Agency as of June 30, 2011, 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 our report dated October 13, 2011 on our consideration of the South Dallas County Landfill Agency'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 7 through 9 is not a required part of the 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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 13, 2011

South Dallas County Landfill Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Dallas County Landfill Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the South Dallas County Landfill Agency is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2011 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts decreased 2.2%, or \$13,185, from fiscal year 2010 to fiscal year 2011 while operating disbursements increased 1.9%, or \$11,808, for the fiscal year.
- ◆ Cash basis net assets decreased 1.5%, or \$78,677, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The South Dallas County Landfill Agency 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 U.S. generally accepted accounting principles. 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 the 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, 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 are 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 Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

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 Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate charges from accepting solid waste and assessments from the member of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts are for interest on investments and litigation settlement. Non-operating disbursements are for capital outlay. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2011 and June 30, 2010 are presented below:

| Changes in Cash Basis Net Assets | | |
|--|---------------------|------------------|
| | Year ended June 30, | |
| | 2011 | 2010 |
| Operating receipts: | | |
| Gate charges | \$ 567,576 | 576,799 |
| Member assessment | 15,912 | 15,912 |
| Miscellaneous | 354 | 4,316 |
| Total operating receipts | <u>583,842</u> | <u>597,027</u> |
| Operating disbursements: | | |
| Salaries and benefits | 244,091 | 241,200 |
| Solid waste contract | 56,361 | 88,506 |
| Repair and maintenance | 99,427 | 78,290 |
| Other | 222,682 | 202,757 |
| Total operating disbursements | <u>622,561</u> | <u>610,753</u> |
| Deficiency of operating receipts under operating disbursements | <u>(38,719)</u> | <u>(13,726)</u> |
| Non-operating receipts (disbursements): | | |
| Interest on investments | 107,483 | 133,030 |
| Litigation settlement | 6,716 | 6,716 |
| Capital outlay | (154,157) | - |
| Net non-operating receipts (disbursements) | <u>(39,958)</u> | <u>139,746</u> |
| Net change in cash basis net assets | (78,677) | 126,020 |
| Cash basis net assets beginning of year | 5,325,205 | 5,199,185 |
| Cash basis net assets end of year | <u>\$ 5,246,528</u> | <u>5,325,205</u> |
| Cash Basis Net Assets: | | |
| Restricted for: | | |
| Closure | \$ 194,497 | 194,497 |
| Postclosure care | 1,036,661 | 1,027,662 |
| Total restricted net assets | <u>1,231,158</u> | <u>1,222,159</u> |
| Unrestricted | 4,015,370 | 4,103,046 |
| Total cash basis net assets | <u>\$ 5,246,528</u> | <u>5,325,205</u> |

In fiscal year 2011, operating receipts decreased \$13,185, or 2.2%, while operating disbursements increased \$11,808, or 1.9%.

A portion of the Agency's cash basis net assets, \$1,231,158 (23%), is restricted for closure/postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. The remaining net assets, \$4,015,370 (77%), are unrestricted cash basis net assets that can be used to meet the Agency's obligations as they come due. Restricted cash basis net assets increased \$8,999 (0.7%) during the year. The increase from the prior year was due to a transfer for closure/postclosure care funds. Unrestricted cash basis net assets decreased \$87,676, or 2.1%, primarily due to engineering costs and a large quantity of dirt purchased during fiscal year 2011 for a cell expansion project, the majority of which will occur during fiscal year 2012.

Work began at the end of fiscal year 2011 on a new waste cell. The six acre cell is being constructed according to criteria set forth by the Iowa Department of Natural Resources and consists of a groundwater diversion layer, compacted clay base liner, flexible membrane liner and leachate collection system. Funds for the estimated \$1,000,000 project will come from cash reserves. This project continues development of the existing landfill property and extends the usable area for placement of garbage.

LONG-TERM DEBT

At June 30, 2011, the Agency had no long term debt outstanding.

ECONOMIC FACTORS

The Agency's financial position remained steady during fiscal year 2011. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Implementation of the Iowa Department of Natural Resources' new and proposed regulations will have a financial impact on the Agency, resulting in increased tipping fees.
- Although fluctuations in the construction/reconstruction industry may impact the tonnages/revenues received, fiscal year 2010 and fiscal year 2011 have been relatively consistent in total tonnage.

The Agency will continue to monitor its resources and expenditures in order to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the South Dallas County Landfill Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the South Dallas County Landfill Agency, Vickie Moorhead, PO Box 263, Adel, Iowa 50003, or call 515-993-3148.

South Dallas County Landfill Agency

Financial Statement

Exhibit A

South Dallas County Landfill Agency

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

Year ended June 30, 2011

| | |
|--|---------------------|
| Operating receipts: | |
| Gate charges | \$ 567,576 |
| Member assessment | 15,912 |
| Miscellaneous | 354 |
| Total operating receipts | <u>583,842</u> |
| Operating disbursements: | |
| Salaries and benefits | 244,091 |
| Solid waste contract | 56,361 |
| Recycling fees | 19,726 |
| Department of Natural Resources tonnage fee | 18,979 |
| Expansion | - |
| Engineering and consulting | 24,021 |
| Repair and maintenance | 99,427 |
| Fuel | 48,777 |
| Insurance | 18,166 |
| Utilities | 9,173 |
| Dirt for cover | 33,863 |
| Supplies | 11,670 |
| Monitoring and inspection fees | 25,124 |
| Leachate hauling/Adel STP fees | 4,883 |
| Miscellaneous | 8,300 |
| Total operating disbursements | <u>622,561</u> |
| Deficiency of operating receipts under operating disbursements | <u>(38,719)</u> |
| Non-operating receipts (disbursements): | |
| Interest on investments | 107,483 |
| Litigation settlement | 6,716 |
| Capital outlay | (154,157) |
| Net non-operating receipts (disbursements) | <u>(39,958)</u> |
| Net change in cash basis net assets | (78,677) |
| Cash basis net assets beginning of year | <u>5,325,205</u> |
| Cash basis net assets end of year | <u>\$ 5,246,528</u> |
| Cash Basis Net Assets | |
| Restricted for: | |
| Closure | \$ 194,497 |
| Postclosure care | 1,036,661 |
| Total restricted net assets | <u>1,231,158</u> |
| Unrestricted | <u>4,015,370</u> |
| Total cash basis net assets | <u>\$ 5,246,528</u> |

See notes to financial statement.

South Dallas County Landfill Agency

Notes to Financial Statement

June 30, 2011

(1) Summary of Significant Accounting Policies

The South Dallas County Landfill Agency was formed in 1970 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities in South Dallas County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from the member city, Adel. The chairperson is appointed by the participating political subdivision and has one vote.

The Agency is a component unit of the City of Adel. The accompanying financial statement includes only the activities of the Agency. Financial statements for the City of Adel can be obtained from the City.

A. Reporting Entity

For financial reporting purposes, the South Dallas County Landfill Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency 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 Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency 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.

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency 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. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Restricted Cash Basis Net Assets

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

(2) Cash and Investments

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

The Agency 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 Agency; 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 fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2011, the Agency had the following investments:

| Type | Carrying Amount | Fair Value | Maturity Date |
|---|---------------------|------------------|---------------|
| U.S. Government Securities: | | | |
| U.S. Treasury Securities Stripped of Interest | \$ 277,184 | 372,851 | 11/15/2011 |
| U.S. Treasury Securities Stripped of Interest | 272,130 | 388,487 | 11/15/2012 |
| U.S. Treasury Securities Stripped of Interest | 260,509 | 390,278 | 11/15/2013 |
| U.S. Treasury Securities Stripped of Interest | 399,859 | 593,008 | 11/15/2014 |
| U.S. Treasury Securities Stripped of Interest | 145,289 | 210,001 | 11/15/2015 |
| U.S. Treasury Securities Stripped of Interest | 500,776 | 701,883 | 11/15/2016 |
| U.S. Treasury Securities Stripped of Interest | 222,771 | 288,140 | 11/15/2017 |
| U.S. Treasury Securities Stripped of Interest | 534,509 | 631,824 | 11/15/2018 |
| U.S. Treasury Securities Stripped of Interest | 559,653 | 617,572 | 11/15/2019 |
| U.S. Treasury Securities Stripped of Interest | 367,444 | 360,726 | 11/15/2020 |
| Total | <u>\$ 3,540,124</u> | <u>4,554,770</u> | |

Interest rate and custodial credit risk. The Agency's investment policy does not limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. The Agency's investment policy does limit investments to a maximum maturity of ten years.

(3) Pension and Retirement Benefits

The Agency 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 4.50% of their annual salary and the Agency is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$12,451, \$11,509 and \$10,520, respectively, equal to the required contributions for each year.

(4) Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation leave for subsequent use or for payment upon termination, retirement or death. Unused sick leave hours are lost upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability to employees for earned vacation leave at June 30, 2011 is \$12,700. This liability has been computed based on rates of pay in effect at June 30, 2011.

(5) Closure and Postclosure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure care plan to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a 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 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 due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

The Agency has an area of the landfill that has been closed and no longer accepts waste. Those areas that remain open to accept waste are referred to as open areas.

Costs for the Agency as of June 30, 2011 have been estimated at \$194,497 for closure and \$419,716 for postclosure care in the Agency's open areas and \$616,945 for postclosure care in the Agency's closed area, for a total of \$1,231,158. The estimated remaining life of the landfill is 30 years and the capacity used at June 30, 2011 is 61 percent. The capacity used at June 30, 2010 was reported at 22 percent, 39 percent less than the June 30, 2011 capacity used. This change is the result of a change in Iowa Department of Natural Resources (IDNR) rules allowing only approved elevations be considered in the capacity calculation, not the entire available site.

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 Agency has accumulated resources to fund these costs and, at June 30, 2011, assets of \$1,231,158 are restricted for these purposes, of which \$194,497 and \$419,716 are for closure and postclosure care, respectively, in the Agency's open areas and \$616,945 is for postclosure care in the Agency's closed area. These amounts are reported as restricted cash basis net assets in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets. At June 30, 2011, the landfill closure and post closure care costs are fully funded.

(6) Solid Waste Tonnage Fees Retained

The Agency established an account for restricting and using solid waste tonnage fees by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2011, the Agency had no unspent tonnage fees.

(7) Risk Management

The Agency is a member of 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 645 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 150 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 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 Agency'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 Agency's contributions to the Pool for the year ended June 30, 2011 were \$10,332.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 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 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, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty 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.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$25,000. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Solid Waste Contract

The Agency, the Metro Waste Authority and the North Dallas Regional Solid Waste Planning Commission entered into a solid waste contract during fiscal year 2005. Under the contract, the Authority and the Commission are paid a per ton fee for waste accepted by the Agency originating in other service areas, and the Agency is paid a per ton fee for waste accepted by the Authority and the Commission originating in the Agency's service area. In July 2009, the Metro Waste Authority purchased the North Dallas Regional Solid Waste Planning Commission. Therefore, the final payment to the North Dallas Regional Solid Waste Planning Commission was made in July 2009. Other terms of the contract remained the same. \$56,361 was paid to the Authority and no payments were received from the Authority during the year ended June 30, 2011.

(9) Household Hazardous Waste Agreement

The Agency entered into a waste collection agreement with Metro Waste Authority. The Authority operates a collection center for household hazardous waste. The Agency pays the Authority for training and education to operate a collection site and for collection and disposal services. The Agency paid an annual per capita fee of \$3,092 during the year ended June 30, 2011 for these services.

(10) Litigation Settlement

The Agency is scheduled to receive \$6,716 annually from the cities of Redfield, Dexter and Dallas Center until 2025 from a legal settlement for closure and postclosure care costs.

(11) Contract Commitment

In April 2011, the Agency entered into a contract totaling \$740,065 for development of phase 3 expansion cell and phase 1 abutment area closure. As of June 30, 2011, no costs have been incurred under the contract. The contract costs will be paid with cash and investments held by the Agency as work on the project progresses.

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

South Dallas County Landfill Agency



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Member of the South Dallas County Landfill Agency:

We have audited the accompanying financial statement of the South Dallas County Landfill Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated October 13, 2011. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Dallas County Landfill Agency'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 our opinion on the effectiveness of the South Dallas County Landfill Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Dallas County Landfill Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the South Dallas County Landfill Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Dallas County Landfill Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 Agency's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. 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 South Dallas County Landfill Agency's written response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Agency's response, we did not audit the South Dallas County Landfill Agency's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the member and customers of the South Dallas County Landfill Agency and other parties to whom the Agency may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the South Dallas County Landfill Agency 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 13, 2011

South Dallas County Landfill Agency

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Agency’s financial statement. Generally, one individual has control over the bank reconciliations, disbursements, payroll, investments, receipts and accounts receivable.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Agency should review its operating procedures 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 review 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 – We will continue to review procedures for segregation of duties.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

South Dallas County Landfill Agency

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements we believe 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 Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency 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 Agency’s investment policy were noted.
- (5) Solid Waste Fees Retainage – During the year ended June 30, 2011, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (6) Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-111.6(9) of the Iowa Administrative Code (IAC). The calculation is made as follows:

| | NE & SW | |
|---|---------------------|---------------------|
| | Areas | Expansion Area |
| | Postclosure Care | Postclosure Care |
| Total estimated costs for closure and postclosure care at June 30, 2011 | \$ 616,945 | 419,716 |
| Less: Balance of funds held in the local dedicated fund at June 30, 2010 | (609,445) | (418,217) |
| Required payment into the local dedicated fund for the year ended June 30, 2011 | 7,500 | 1,499 |
| Balance of funds held in the local dedicated fund at June 30, 2010 | 609,445 | 418,217 |
| Balance of funds required to be held in the local dedicated fund at June 30, 2011 | <u>\$ 616,945</u> | <u>419,716</u> |
| Amount the Agency has restricted and reserved for closure and postclosure care at June 30, 2011 | <u>\$ 616,945</u> | <u>419,716</u> |

The Agency has demonstrated financial assurance for closure and postclosure care by designating a sufficient amount in the dedicated fund.

South Dallas County Landfill Agency

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Matthew S. Nye, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State