



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

October 30, 2013

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Rathbun Area Solid Waste Commission.

The Commission had total receipts of \$977,747 during the year ended June 30, 2013, an 8% decrease from the prior year. The receipts included transfer station gate receipts of \$781,715, recycling receipts of \$147,434 and nonoperating receipts of \$48,598.

Disbursements for the year totaled \$1,041,060, a 2% increase from the prior year, and included \$295,222 for salaries and benefits, \$257,983 for solid waste disposal fees and \$165,477 for debt service.

A copy of the audit report is available for review at the Rathbun Area Solid Waste Commission's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1314-0008-B00F.pdf>.

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**RATHBUN AREA SOLID WASTE COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENT  
OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2013**

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## **Rathbun Area Solid Waste Commission**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ralph Alshouse	Chair	City of Seymour
Marsha Mitchell	Member	City of Centerville
Glen Moritz	Member	City of Centerville
Jody McDanel	Member	Appanoose County
Dave Rumans	Member	City of Cincinnati
John Matheny	Member	City of Exline
Scott Snider	Member	City of Moulton
Chris Chester	Member	City of Mystic
Nancy Jones	Member	City of Plano
Eric Pace	Member	City of Udell
Marlin Nuckolls	Member	City of Unionville
Leonard Jondle	Member	City of Promise City
Irene Brooks	Member	City of Moravia
Richard Brooke	Member	City of Numa
Barb Milburn	Member	City of Rathbun
Rodger Kaster	Director	
Jennifer Frampton	Treasurer	

**Rathbun Area Solid Waste Commission**



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## Independent Auditor's Report

To the Members of the Rathbun Area  
Solid Waste Commission:

### Report on the Financial Statement

We have audited the accompanying financial statement of the Rathbun Area Solid Waste Commission as of and for the year ended June 30, 2013, and the related Notes to Financial Statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

### Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Rathbun Area Solid Waste Commission as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

*Other Information*

The other information, Management's Discussion and Analysis on pages 8 through 10, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2013 on our consideration of the Rathbun Area Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rathbun Area Solid Waste Commission's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 16, 2013

**Rathbun Area Solid Waste Commission**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Rathbun Area Solid Waste Commission (RASWC) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the RASWC is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

### **2013 FINANCIAL HIGHLIGHTS**

- ◆ Operating receipts decreased 8.3%, or approximately \$84,000, from fiscal year 2012 to fiscal year 2013.
- ◆ Operating disbursements decreased 5%, or approximately \$42,000, from fiscal year 2012 to fiscal year 2013.
- ◆ The Commission's cash balance decreased 4.6%, or approximately \$63,000, from June 30, 2012 to June 30, 2013.

### **USING THIS ANNUAL REPORT**

The RASWC 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 RASWC's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the RASWC's operating receipts and disbursements, non-operating receipts and disbursements and whether the RASWC's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to 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 Balance

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

Operating receipts are received for gate fees from accepting solid waste, recycling and the sale of recycled material. Operating disbursements are disbursements paid to operate the transfer station, recycling center and regional collection center. Non-operating receipts and disbursements are for grants, interest on investments, debt service, long term care of the closed landfill and equipment purchases. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2013 and June 30, 2012 is as follows:

	Changes in Cash Balance	
	Year ended June 30,	
	2013	2012
Operating receipts:		
Gate fees	\$ 781,715	827,153
Recycling fees	147,434	185,654
Total operating receipts	929,149	1,012,807
Operating disbursements:		
Salaries and benefits	295,222	282,682
Solid waste disposal	257,983	275,234
Closure and postclosure care	45,465	66,913
Other	194,409	210,289
Total operating disbursements	793,079	835,118
Excess of operating receipts over operating disbursements	136,070	177,689
Non-operating receipts (disbursements):		
Grants	18,795	26,743
Interest on investments	15,679	23,274
Miscellaneous	6,033	-
Sale of equipment	8,091	-
Debt service	(165,477)	(164,005)
Environmental management system	(20,154)	(6,550)
Equipment	(62,350)	(16,564)
Net non-operating receipts (disbursements)	(199,383)	(137,102)
Change in cash balance	(63,313)	40,587
Cash balance beginning of year	1,387,580	1,346,993
Cash balance end of year	\$ 1,324,267	1,387,580
<b>Cash Basis Fund Balance</b>		
Restricted for:		
Closure and postclosure care	\$ 780,126	813,357
Debt service	148,961	146,113
Tonnage fees	52,912	42,601
	981,999	1,002,071
Unrestricted	342,268	385,509
Total cash fund balance	\$ 1,324,267	1,387,580

In fiscal year 2013, operating receipts decreased \$83,658, or 8.3%, from fiscal year 2012. The decrease in gate fees was the direct result of a decrease in the volume of tonnage brought to RASWC. In fiscal year 2013, operating disbursements decreased \$42,039, or 5%, from fiscal year 2012. The decrease in operating disbursements was primarily due to disbursements to repair drainage structural damage and road damage to the landfill caused by flooding during fiscal year 2012.

The largest portion of the RASWC's cash basis net assets (59%) is restricted for closure and postclosure care. State and federal laws and regulations require the RASWC to perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Other restricted net assets (15%) are restricted for debt service and tonnage fees retained. Restricted net assets decreased approximately \$20,000, or 2%, during the year. The remaining portion (26%) is the unrestricted cash basis net assets which are available to meet the RASWC's obligations as they become due. Unrestricted net assets decreased approximately \$43,000, or 11%, during the year.

**LONG-TERM DEBT**

At June 30, 2013 the RASWC had approximately \$2,195,000 of bonds and other long-term debt outstanding, compared to approximately \$1,316,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2013	2012
Revenue bonds	\$ 1,130	1,220
Solid Waste Alternative Program loan	75	96
General obligation refunding capital loan notes	990	-
Total	\$ 2,195	1,316

Debt increased during fiscal year 2013 due to the issuance of general obligation refunding capital loan notes. Additional information about the RASWC's long-term debt is presented in Note 3 to the financial statement.

**ECONOMIC FACTORS**

The RASWC's cash basis financial position decreased during the current fiscal year. Considering the decrease in cash basis financial position, the current condition of the economy in the state continues to be a concern for RASWC officials. Decreased tonnage received at the facility continues to be of concern for RASWC officials and will be carefully monitored. Some of the realities which may potentially become challenges for the RASWC to meet are:

- ◆ Facilities and equipment require constant maintenance and upkeep.
- ◆ Continual upkeep of the closed landfill site.
- ◆ The state-wide trend of declining solid waste tonnage.
- ◆ Volatility of the recycling markets.

Market rates for recycled goods have stabilized but remained low. With respect to the next fiscal year, the Commission expects to maintain similar receipts and disbursements, but is prepared to adjust accordingly.

**CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the RASWC'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 Rathbun Area Solid Waste Commission at 3020 McCarty Street, Centerville, Iowa 52544.

Rathbun Area Solid Waste Commission

Statement of Cash Receipts, Disbursements and  
Changes in Cash Balance

As of and for the year ended June 30, 2013

Operating receipts:	
Gate fees	\$ 781,715
Recycling fees	147,434
Total operating receipts	929,149
Operating disbursements:	
Salaries and benefits	295,222
Solid waste disposal	257,983
Engineering	258
Recycling	25,674
Professional services	7,179
Legal, accounting and auditing	11,954
Insurance	24,269
Fuel	45,455
Equipment maintenance	41,218
Office equipment and supplies	12,792
Utilities	9,177
Education and promotion	5,752
Travel	642
Postclosure care	45,465
Miscellaneous	10,039
Total operating disbursements	793,079
Excess of operating receipts over operating disbursements	136,070
Non-operating receipts (disbursements):	
Grants	18,795
Interest on investments	15,679
Miscellaneous	6,033
Sale of equipment	8,091
Debt service:	
Principal	(111,500)
Interest and fees	(53,977)
Environmental management system	(20,154)
Equipment	(62,350)
Net non-operating receipts (disbursements)	(199,383)
Change in cash balance	(63,313)
Cash balance beginning of year	1,387,580
Cash balance end of year	\$ 1,324,267
<b>Cash Basis Fund Balance</b>	
Restricted for:	
Closure and postclosure care	\$ 780,126
Debt service	148,961
Tonnage fees	52,912
Unrestricted	342,268
Total cash basis fund balance	\$ 1,324,267

See notes to financial statement.

Rathbun Area Solid Waste Commission

Notes to Financial Statement

June 30, 2013

**(1) Summary of Significant Accounting Policies**

The Rathbun Area Solid Waste Commission was formed in 1983 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste facilities on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of representatives from each member. The members of the Commission include the cities of Centerville, Cincinnati, Exline, Moravia, Moulton, Mystic, Numa, Plano, Promise City, Rathbun, Seymour, Udell and Unionville and Appanoose County. The Commissioners are appointed by the participating political subdivisions and have one vote for each one thousand population, or fraction thereof, which the member represents.

The Commission ceased landfill operation on December 3, 2007 and has operated as a transfer station since that time.

A. Reporting Entity

For financial reporting purposes, the Rathbun Area Solid Waste 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 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.

C. Basis of Accounting

The 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. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

D. Fund Balance

Funds set aside for payment of closure, postclosure care, debt service and tonnage fees are classified as restricted.

**(2) Cash and Investments**

The Commission's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against 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 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, 2013, the Commission had the following investments:

Investment	Carrying Amount	Fair Value	Maturity (in years)				
			1-5	6-10	11-15	16-20	over 20
FHLMC	\$ 23,185	24,312	420	-	5,004	18,888	-
FHR (REMIC)	13,934	15,028	346	-	1,108	-	13,574
FNMA	129,884	129,196	32,598	29,600	25,501	11,080	30,417
GNMA	314,194	316,944	3,906	37,905	43,939	58,651	172,543
GNR (REMIC)	12,428	12,461	-	-	-	-	12,461
Total	\$ 493,625	497,941	37,270	67,505	75,552	88,619	228,995

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) to 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 FHLMC, FHR and FNMA investments at June 30, 2013 are rated AAA to AA+ 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% of the Commission's investments are in FNMA (26.3%) and GNMA (63.6%).

**(3) Bonds, Notes and Loan Payable**

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Solid Waste Revenue Bonds			
	Series 2007			
	Issued Sept 18, 2007			
	Interest Rates	Principal	Interest	Total
2014	4.15%	\$ 90,000	49,742	139,742
2015	4.15	95,000	46,008	141,008
2016	4.15	60,000	42,065	102,065
2017	4.20	65,000	39,575	104,575
2018	4.25	65,000	36,845	101,845
2019-2023	4.30 - 4.50	385,000	138,425	523,425
2024-2027	4.55 - 4.70	370,000	44,200	414,200
Total		\$ 1,130,000	396,860	1,526,860

  

Year Ending June 30,	General Obligation Refunding Capital Loan Notes			
	Series 2013			
	Issued May 2, 2013			
	Interest Rates	Principal	Interest	Total
2014	.8%	\$ -	21,722	21,722
2015	.8	-	20,102	20,102
2016	.8	80,000	20,102	100,102
2017	.8	85,000	19,463	104,463
2018	1.25	80,000	18,782	98,782
2019-2023	1.25 - 2.00	435,000	75,638	510,638
2024-2027	3.30	310,000	22,605	332,605
Total		\$ 990,000	198,414	1,188,414

On September 18, 2007, Appanoose County issued solid waste revenue bonds of \$1,540,000 for the Commission. Proceeds from the bonds provided financing for construction of the transfer station. The Commission has pledged future solid waste customer receipts, net of specified operating disbursements, to repay the solid waste revenue bonds. The bonds are payable solely from solid waste customer net receipts and are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 78% of net receipts. Net receipts are defined as gross receipts less current disbursements. The total principal and interest remaining to be paid on the bonds is \$1,526,860. For the current year, principal and interest paid and net receipts were \$143,478 and \$184,668, respectively.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a revenue bond sinking account within the Enterprise Fund for the purpose of making the bond principal and interest payments when due.

On May 2, 2013, Appanoose County issued \$990,000 of general obligation refunding capital loan notes, with interest at rates ranging from .8% to 3.3% per annum, for a crossover refunding of the callable portion of the \$1,540,000 of solid waste revenue bonds dated September 1, 2007. Appanoose County entered into an escrow agreement whereby the proceeds from the general obligation refunding capital loan notes were converted to U.S. securities. This escrow account, with a June 30, 2013 balance of \$981,820, is reported by Appanoose County and will be used to pay the callable portion of the revenue bonds on June 1, 2015. The refunding was undertaken to reduce total debt service payments by \$100,352 and resulted in an economic gain of \$80,836.

#### Solid Waste Alternative Program (SWAP) Loan

In September 2009, the Commission entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of the Commission's recycling center. The agreement awarded up to \$170,000 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$150,000. The term of the loan is seven years and requires quarterly payments of \$5,357 beginning January 15, 2010. At June 30, 2013, there are no unmet conditions to be achieved for loan forgiveness.

The Commission paid \$21,500 in principal under the agreement during the year ended June 30, 2013. The balance of the loan outstanding at June 30, 2013 is \$74,750.

#### **(4) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78 % of their annual salary and the Commission is required to contribute 8.67 % of annual covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$17,597, \$15,992 and \$13,450, respectively, equal to the required contributions for each year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description - The Commission operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 4 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Auxiant.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums are \$801 for single coverage and \$1,557 for family coverage. For the year ended June 30, 2013, the Commission contributed the entire cost of \$47,520 to the plan.

**(6) Compensated Absences**

Commission employees accumulate a limited amount of 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 disbursements by the Commission until used or paid. The Commission’s approximate liability for earned vacation and sick leave payable to employees at June 30, 2013 is as follows:

Type of Benefit	Amount
Vacation	\$ 8,400
Sick leave	<u>11,100</u>
Total	<u>\$ 19,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Landfill Postclosure Care**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and 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 care requirements for all municipal solid waste landfills which 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 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 year. 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.

These costs for the Commission have been estimated to be \$545,960 for postclosure care as of June 30, 2013.

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 accumulated resources to fund these costs and, at June 30, 2013, assets of \$748,479 are restricted for postclosure care. They are reported as restricted cash basis fund balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

**(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 the rinsing of all surfaces which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which 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.

The total closure care costs for the Commission as of June 30, 2013 have been estimated at \$28,770. Assets of \$31,647 are restricted for these purposes and are reported as restricted cash basis fund balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

**(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, 2013, the Commission had unspent tonnage fees of \$52,912.

**(10) Risk Management**

The Commission 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 679 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 % 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 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 contributions to the Pool for the year ended June 30, 2013 were \$15,301.

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 for 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, 2013, 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% 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 Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. The Commission 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.

#### **(11) Solid Waste Disposal Agreement**

The Commission entered into an agreement with the South Central Iowa Solid Waste Agency for acceptance of solid waste from the Commission for \$20.44 per ton plus the DNR tonnage fees, collected as a surcharge. The agreement is in effect from July 1, 2005 through June 30, 2016. The agreement was amended in December 2009 and increased the fee to \$22.80 per ton plus the DNR tonnage fees for the period July 1, 2010 through June 30, 2013. The agreement was amended in December 2012 and decreased the fee to \$21.09 per ton plus the DNR tonnage fees for the period July 1, 2013 through June 30, 2016. During the year ended June 30, 2013, the Commission paid \$244,352 under the agreement.

**Rathbun Area Solid Waste Commission**

**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**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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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 a Financial Statement Performed in Accordance with  
Government Auditing Standards

To the Members of the Rathbun Area  
Solid Waste Commission:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Rathbun Area Solid Waste Commission as of and for the year ended June 30, 2013, and the related Notes to Financial Statement, and have issued our report thereon dated October 16, 2013. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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 deficiencies in internal control we consider to be a material weakness and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Rathbun Area Solid Waste Commission'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.

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 as item (B) to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rathbun Area Solid Waste 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, 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. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2013 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.

## Rathbun Area Solid Waste Commission's Responses to the Findings

The Rathbun Area Solid Waste Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Rathbun Area Solid Waste Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 the Rathbun Area 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 16, 2013

Rathbun Area Solid Waste Commission

Schedule of Findings

Year ended June 30, 2013

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:
- (1) Bank reconciliations were not reviewed by an independent person for propriety.
  - (2) Investments held by outsiders are not confirmed or verified by an independent person. Investments are not reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.
  - (3) Incoming mail is opened by an employee who is authorized to make entries to the accounting records and a listing of receipts is not prepared.
  - (4) Generally, one individual may have control over collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its control procedures to obtain the maximum internal control possible under the circumstances, including utilizing available staff or designate a member of the Commission to provide additional control through independent reviews and verification.

Response – We will review our procedures and look for opportunities to segregate duties as staffing levels allow.

Conclusion – Response accepted.

- (B) Computer System – The following weaknesses in the Commission’s computer system were noted:

The Commission does not have written policies for:

- Password privacy and confidentiality.
- Requiring password changes every 60 to 90 days.
- Usage of the internet.
- Ensuring only software licensed to the Commission is installed on computers.

Rathbun Area Solid Waste Commission

Schedule of Findings

Year ended June 30, 2013

Recommendation – The Commission should develop written policies and procedures addressing the above items in order to improve the Commission's internal control over its computer system.

Response – We will develop written policies for items addressed.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Rathbun Area Solid Waste Commission

Schedule of Findings

Year ended June 30, 2013

**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 Disbursements – No disbursements of Commission money for travel disbursements 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. However, the minutes for the May 2013 meeting were not published within 20 days as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Commission should ensure the minutes are published as required.

Response – We will ensure minutes are submitted for publishing in a timely fashion.

Conclusion – Response accepted.

- (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.
- (6) Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.
- (7) Financial Assurance – The Commission has elected to demonstrate 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 (IAC). Financial assurance is demonstrated as follows:

	<u>Transfer Station Closure</u>	<u>Landfill Postclosure Care</u>
Total estimated costs for closure and postclosure care	\$ 28,770	545,960
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2013	\$ 31,647	748,479

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly and the deposits shall be made within 30 days of the close of each fiscal year. No deposit was required during the year ended June 30, 2013 because the Commission has restricted and reserved sufficient funds to pay the total estimated costs for closure and postclosure care.

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Rathbun Area Solid Waste Commission

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Ryan D. Baker, 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