

ANNUAL FINANCIAL REPORT

of the

NORTHEAST NEBRASKA SOLID WASTE COALITION

for the fiscal years ended
September 30, 2008
and 2007

NORTHEAST
NEBRASKA
SOLID WASTE
COALITION

ANNUAL FINANCIAL REPORT

*for the fiscal years ended
September 30, 2008
and 2007*

THIS PAGE INTENTIONALLY LEFT BLANK

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
ANNUAL FINANCIAL REPORT**
For the Fiscal Years Ended September 30, 2008 and 2007

TABLE OF CONTENTS

	<u>Exhibit No.</u>	<u>Page(s)</u>
List of Principal Officials		1
FINANCIAL SECTION		
Independent Auditors' Report		2
Management's Discussion and Analysis		3-7
BASIC FINANCIAL STATEMENTS		
Statement of Net Assets	1	8-9
Statements of Revenues, Expenses, and Changes in Net Assets	2	10
Statements of Cash Flows	3	11
Schedule of Revenues, Expenditures and Changes in General Fund Balance - Budget and Actual - Budgetary Basis	4A	12
Schedule of Revenues, Expenditures and Changes in Closure/Post Closure Fund Balance – Budget and Actual - Budgetary Basis	4B	13
Notes to Financial Statements		14-21
Schedule of Findings		22
Independent Auditors' Report on Compliance and Other Matters And on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>U.S.</i> <i>Government Auditing Standards</i>		23-24

NORTHEAST NEBRASKA SOLID WASTE COALITION

List of Principal Officials

September 30, 2008

<u>Title</u>	<u>Name</u>	<u>Representing</u>	<u>Population</u>
Chairman	Bob Warner	City of Fremont	25,174
Vice-Chairman	Gordon Adams	City of Norfolk	23,516
Board member	Ronald Bogus	City of Columbus	20,971
Board member	Joe Tooley	Platte County	8,285
Board member	Paul Marsh	Dodge County	6,465
Board member	Rick Uhler	Madison County	6,342
Board member	William Goodpasture	Stanton County	4,450
Board member	James Swenson	Burt County	2,710
Board member	Arland Claus	City of Madison	2,367
Board member	Jay Spence	City of Stanton	1,627
Board member	Trish Johnson	City of Oakland	1,367
Board member	Judy Warneke	City of Battle Creek	1,158
Board member	Larry Klahn	Village of Hooper	827
Board member	Gene Gembica	Village of Silver Creek	441
Board member	Teresa Menking	Village of Nickerson	431
Board member	Jerry Abrahamson	Village of Inglewood	382
Board member	Dennis Wolverton	Village of Pilger	378
Board member	Eugene Drozd	Village of Duncan	359
Board member	Jack Warrick	Village of Meadow Grove	311
Board member	Robert Fletcher	Village of Hoskins	283
Board member	Dan Dallman	Village of Uehling	275
Board member	Vacant	Village of Craig	241
Board member	Todd Groteluschen	Village of Creston	215
Board member	Vacant	Village of Winslow	104
Board member	Gary Svitak	Maple Creek Precinct	
Treasurer	Randy Gates		
Secretary	Beth Deck		
		Total	<u>108,679</u>



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

Board of Directors
Northeast Nebraska Solid Waste Coalition

We have audited the financial statements of Northeast Nebraska Solid Waste Coalition as of and for the fiscal years ended September 30, 2008 and 2007. These financial statements are the responsibility of the Coalition's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northeast Nebraska Solid Waste Coalition as of September 30, 2008 and 2007, and the respective changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued a report dated March 24, 2009, on our consideration of the Coalition's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Government 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. However, we did not audit the information and express no opinion on it.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of the Northeast Nebraska Solid Waste Coalition's financial performance provides an overview of the Coalition's financial activities for the fiscal year ending September 30, 2008. We encourage readers to consider this information in conjunction with the Coalition's financial statements which follow.

FINANCIAL OPERATIONS SUMMARY

With revenues of \$2,681,211 and expenses of \$2,132,312, the Coalition's net assets increased by \$548,899 in fiscal year 2008 going from \$4,866,116 to \$5,415,015. Net assets invested in capital assets, net of related debt, increased \$2,103,914. Restricted net assets increased \$289,324 and unrestricted net assets decreased \$1,844,339.

USING THIS ANNUAL REPORT

The Northeast Nebraska Solid Waste Coalition is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Coalition's basic financial statements. The annual report consists of a series of financial statements and other information as follows:

Management Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Coalition's financial activities.

The Statement of Net Assets presents information on the Coalition's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Coalition is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Coalition's operating revenues and expenses, non-operating revenues and expenses and whether the Coalition's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Coalition's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Coalition financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

The Required Supplementary information provides a comparison of actual results to budget.

FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Coalition's financial position. The Coalition's net assets for fiscal 2008 totaled \$5,415,015. This compares to \$4,866,116 for fiscal 2007. A summary of the Coalition's net assets is presented below.

	<u>September 30</u>		Increase	
	<u>2008</u>	<u>2007</u>	(Decrease)	<u>% change</u>
Current assets	\$ 1,150,976	\$ 2,977,726	\$ (1,826,750)	-61.3%
Restricted assets	4,645,290	4,366,843	278,447	6.4%
Net property, buildings, and equipment	5,781,287	6,024,125	(242,838)	-4.0%
Other assets	162,302	236,808	(74,506)	-31.5%
Total assets	<u>11,739,855</u>	<u>13,605,502</u>	<u>(1,865,647)</u>	-13.7%
Current liabilities	456,227	515,803	(59,576)	-11.6%
Noncurrent liabilities	5,868,613	8,223,583	(2,354,970)	-28.6%
Total liabilities	<u>6,324,840</u>	<u>8,739,386</u>	<u>(2,414,546)</u>	-27.6%
Net assets invested in capital assets				
net of related debt	2,478,369	109,455	2,368,914	2164.3%
Restricted net assets	1,823,186	1,798,862	24,324	1.4%
Unrestricted net assets	1,113,460	2,957,799	(1,844,339)	-62.4%
Total net assets	<u>\$ 5,415,015</u>	<u>\$ 4,866,116</u>	<u>\$ 548,899</u>	11.3%

The decrease in current assets of \$1,826,749 is primarily due to a decrease in cash. Cash went from \$2.8 million at the end of last year to \$900,000 this year. This decrease is primarily due to calling \$2,420,000 of Coalition bonds for payment on February 1, 2008. The interest rate on these bonds was 4.9%, substantially more than the Coalition was earning on its cash.

Restricted assets remained essentially unchanged going from \$1,798,862 last year to \$1,823,186 as of September 30, 2008, an increase of \$24,324 or less than 1.4%.

Net assets invested in capital assets, net of related debt increased \$2,378,914 primarily due to calling \$2,420,000 of Coalition bonds for payment on February 1, 2008.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues consist of tipping fees for disposal of waste at the Coalition's landfill in Stanton County. Coalition waste is primarily received from transfer stations of member communities. The Coalition decreased its tipping fee from \$27.30 per ton to \$25 per ton effective February 1, 2007. This reduction in tipping fees is due to a \$188,000 reduction in annual closure/postclosure funding requirements resulting from the 60 foot vertical expansion approved by the Nebraska Department of Environmental Quality on October 20, 2005. Coalition user chargers, nonetheless, increased \$75,563 or 3.4% due to increased tonnage. This increased tonnage was in response to the reduction in tipping fee. The reduced tipping fee resulted in a

Madison County garbage hauler utilizing the Coalition's landfill. The Coalition landfill has also received additional tonnage from Fremont and Columbus.

The Coalition hired Waste Connections to perform day-to-day landfill operations. Payments to Waste Connections are included in disposal fees. The scale operators at the landfill are Coalition employees. Payroll and related taxes and benefits shown on the operating statement are for wages and fringe benefits paid to these two Coalition employees. The utilization of capital assets is reflected in the financial statements as depreciation which allocates the cost of an asset over its expected useful life. Nonoperating revenue consists of interest income, along with any increase in the fair value of investments. Nonoperating expense is interest on the Coalition's bond issue. A summary of revenue, expenses and changes in net assets for the fiscal years ended 2008 and 2007 follows:

Operating revenues:				
User charges	<u>\$ 2,278,912</u>	<u>\$ 2,203,349</u>	<u>\$ 75,563</u>	3.4%
Operating expenses:				
Payroll and related taxes and benefits	85,365	82,198	3,167	3.9%
Disposal fees	983,126	934,367	48,759	5.2%
Repairs and maintenance	6,681	4,937	1,744	35.3%
General and administration	173,415	144,014	29,401	20.4%
Closure/postclosure costs	314,662	282,776	31,886	11.3%
Depreciation and amortization	<u>360,483</u>	<u>135,377</u>	<u>225,106</u>	166.3%
Total operating expenses	<u>1,923,732</u>	<u>1,583,669</u>	<u>340,063</u>	21.5%
Operating Income	355,180	619,680	(264,500)	-42.7%
Nonoperating revenue (expense):				
Net increase (decrease) in the fair value of investments	146,110	12,222	133,888	1095.5%
Interest income	256,189	322,089	(65,900)	-20.5%
Loss on disposal of equipment	(441)	-	(441)	0.0%
Interest Expense	<u>(208,139)</u>	<u>(298,925)</u>	<u>90,786</u>	-30.4%
Total Nonoperating Revenue (Expense)	193,719	35,386	67,547	190.9%
Change in net assets	548,899	655,066	(106,167)	-16.2%
Net assets, beginning of year	<u>4,866,116</u>	<u>4,211,050</u>	<u>655,066</u>	15.6%
Net assets, end of year	<u>\$ 5,415,015</u>	<u>\$ 4,866,116</u>	<u>\$ 548,899</u>	11.3%

Disposal fees increased \$48,759 or 5.2% due to the increased tonnage. General administration expense increased significantly going from \$144,014 last year to \$173,415 in fiscal year 2008. This is an increase of \$29,401 or over 20.4%. This increase was in professional fees mostly due to higher payments to the Coalition's engineer. The engineer did more groundwater monitoring

in fiscal year 2008 and also completed an emissions overlay report. Closure/postclosure care costs increased \$31,886 or 11.3%. This increase in closure/postclosure care costs was driven by both a 2.7% inflation cost adjustment to anticipated closure/postclosure care costs as well as increased tonnage discussed earlier.

Depreciation and amortization expense increased over \$225,000 or 166%. Amortization expense increased over \$79,000 primarily due to calling \$2,420,000 of Coalition bonds for payment on February 1, 2008. The deferred bond issue cost and loss on early retirement of debt related to the called bonds is amortized in the current year resulting in a large increase in amortization expense. Depreciation expense increased \$145,610 due to an increase in depreciation expense for landfill cells. Before last year the Coalition had been depreciating landfill cells based on their estimated life at time of completion. This life will, of course, vary based on tonnage received. Cell 2 was fully depreciated early in fiscal year 2007; however, because tonnage during most of the life of cell 2 was less than anticipated at the time its life was set, there was still remaining cell 2 capacity at the time it was fully depreciated. The Coalition did not begin depreciating cell 3 until late in fiscal year 2007 after all capacity for cell 2 was utilized resulting in an abnormally low depreciation expense for fiscal year 2007. Beginning with cell 3 depreciation, the Coalition depreciates cell cost based on tonnage received, not estimated life. This results in more closely matching depreciation expense to actual capacity utilized.

Change in fair value of investments was a positive \$133,888. In fiscal year 2007, the fair value of investments increased only \$12,222. In fiscal year 2008, it increased by more than \$146,000. These changes were driven by decreases in interest rates on long-term treasuries.

Interest income decreased over \$65,900 or 20.5%. This decrease was primarily driven by a \$1.8 million decrease in cash and investments due to the bond call.

CAPITAL ASSETS

On September 30, 2008, the Coalition had approximately \$5.8 million invested in capital assets, net of accumulated depreciation of approximately \$3.8 million. Most of the Coalition's assets consist of landfill cells. The Coalition owns 160 acres of land on which the landfill is sited with land and related costs totaling approximately \$1.2 million. The Coalition also has a maintenance building and scale house totaling approximately \$465,000. Depreciation charges for the year were \$260,609.

LONG-TERM DEBT

The Coalition has one bond issue outstanding with an original amount of \$8 million. Scheduled bond payments were made on time and \$2,420,000 of term bonds with a due date of May 15, 2023 were called and paid with cash on February 1, 2008. Requirements of the bond covenants have been met in full. In addition to the May 15, 2023 term bonds, \$265,000 of principal payments were made during the year. On September 30, 2008, \$3,425,000 of bonds remain outstanding reported net of \$42,282 of unamortized original discount.

CONTACTING THE COALITION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, creditors, and members with a general overview of the Coalition's finances and to demonstrate the Coalition's accountability

for the money it receives. If you have questions about this report or need additional financial information, contact the Coalition's Finance Department at (402) 844-2000.

THIS PAGE INTENTIONALLY LEFT BLANK

NORTHEAST NEBRASKA SOLID WASTE COALITION
STATEMENT OF NET ASSETS
September 30, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 918,678	\$ 2,768,721
Receivables:		
Accounts	208,881	186,077
Interest	19,886	19,303
Prepaid insurance	<u>3,531</u>	<u>3,625</u>
Total current assets	<u>1,150,976</u>	<u>2,977,726</u>
Restricted Assets:		
Restricted cash	247,483	295,608
Cash and investments held for closure/postclosure costs	3,818,129	3,489,430
Investments with bond trustee	<u>579,678</u>	<u>581,805</u>
Total restricted assets	<u>4,645,290</u>	<u>4,366,843</u>
Property, Buildings, and Equipment:		
Land	1,218,051	1,218,051
Buildings and improvements	8,287,930	8,287,930
Equipment	<u>43,332</u>	<u>25,724</u>
Total property, buildings, and equipment	9,549,313	9,531,705
Less accumulated depreciation	<u>3,768,026</u>	<u>3,507,580</u>
Total property, buildings, and equipment net of accumulated depreciation	<u>5,781,287</u>	<u>6,024,125</u>
Other assets:		
Deferred Loss on early retirement of debt net of accumulated amortization	82,502	109,128
Bond issue costs net of accumulated amortization	<u>79,800</u>	<u>127,680</u>
Total other assets	<u>162,302</u>	<u>236,808</u>
Total assets	<u><u>\$ 11,739,855</u></u>	<u><u>\$ 13,605,502</u></u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS	<u>2008</u>	<u>2007</u>
Current liabilities:		
Accounts and contracts payable	\$ 112,472	\$ 121,790
Payroll liabilities	7,546	7,265
Payable from restricted assets:		
Accrued interest	61,209	121,748
Current portion of revenue bonds	<u>275,000</u>	<u>265,000</u>
Total current liabilities	<u>456,227</u>	<u>515,803</u>
Noncurrent liabilities (Net of current portion):		
Accrued closure/postclosure costs (payable from restricted assets)	2,760,895	2,446,233
Revenue bonds (Net of deferred bond discount of \$42,282 in 2008 and \$67,650 in 2007)	<u>3,107,718</u>	<u>5,777,350</u>
Total noncurrent liabilities	<u>5,868,613</u>	<u>8,223,583</u>
Total liabilities	<u>6,324,840</u>	<u>8,739,386</u>
Net assets:		
Invested in capital assets, net of related debt	2,478,369	109,455
Restricted for bond covenants	765,952	755,665
Restricted for closure/postclosure costs	1,057,234	1,043,197
Unrestricted	<u>1,113,460</u>	<u>2,957,799</u>
Total net assets	<u>5,415,015</u>	<u>4,866,116</u>
Total net assets & liabilities	<u>\$ 11,739,855</u>	<u>\$ 13,605,502</u>

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITIONSTATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS*for fiscal years ended September 30, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
Operating revenues:		
User charges	<u>\$ 2,278,912</u>	<u>\$ 2,203,349</u>
Operating expenses:		
Payroll and related taxes and benefits	85,365	82,198
Disposal fees	983,126	934,367
Repairs and maintenance	6,681	4,937
General and administration	173,415	144,014
Closure/postclosure costs	314,662	282,776
Depreciation and amortization	<u>360,483</u>	<u>135,377</u>
Total operating expenses	<u>1,923,732</u>	<u>1,583,669</u>
Operating Income	355,180	619,680
Nonoperating revenue (expense):		
Net (decrease) increase in the fair value of investments	146,110	12,222
Interest income	256,189	322,089
Loss on disposal of equipment	(441)	-
Interest expense	<u>(208,139)</u>	<u>(298,925)</u>
Total nonoperating revenue (expense)	<u>193,719</u>	<u>35,386</u>
Change in net assets	548,899	655,066
Net assets, beginning of year	<u>4,866,116</u>	<u>4,211,050</u>
Net assets, end of year	<u><u>\$ 5,415,015</u></u>	<u><u>\$ 4,866,116</u></u>

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITION
STATEMENTS OF CASH FLOWS
for the fiscal years ended September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from customers	\$ 2,256,108	\$ 2,213,398
Cash paid to suppliers for goods and services	(1,172,446)	(1,090,822)
Cash paid to employees for services	(85,084)	(83,337)
Net cash provided by operating activities	998,578	1,039,239
Cash flows for capital and related financing activities:		
Acquisition and construction of capital assets	(18,233)	-
Principal paid on bonds	(2,685,000)	(260,000)
Interest paid on bonds	(268,678)	(303,263)
Net cash (used) for capital and related financing activities	(2,971,911)	(563,263)
Cash flows from investing activities:		
Restricted investment purchased	(199,541)	-
Proceeds from sale of restricted investments	30,000	-
Interest received	119,383	231,900
Net cash provided by (used for) investing activities	(50,158)	231,900
Net increase (decrease) in cash and cash equivalents	(2,023,491)	707,875
Cash and cash equivalents - beginning of year	3,216,499	2,508,624
Cash and cash equivalents - end of year	1,193,008	3,216,499
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	355,180	619,680
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	360,483	135,377
Closure/postclosure costs	314,662	282,776
Changes in assets and liabilities		
(Increase) decrease accounts receivable	(22,804)	8,779
(Increase) decrease prepaid insurance	94	(432)
(Decrease) accounts payable	(9,318)	(7,557)
Increase payroll liabilities	281	615
Total Adjustments	643,398	419,558
Net cash provided by operating activities	998,578	1,039,238
Supplemental Schedule of Noncash Investing, Capital and Financing Activities		
Loss on disposal of equipment	(441)	-
Net Increase in the fair value of investments	146,110	12,222
Total noncash investing, capital and financing activities	145,669	12,222
Reconciliation of cash and cash equivalents to the statement of net assets:		
Cash & cash equivalents	918,678	2,768,721
Restricted cash	247,483	295,608
Cash held for closure/post closure costs	26,847	152,170
	\$ 1,193,008	\$ 3,216,499

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN GENERAL FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
for the Fiscal Year Ended September 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 105,500	\$ 74,527	\$ (30,973)
User charges	<u>2,232,428</u>	<u>2,256,497</u>	<u>24,069</u>
Total revenues	<u>2,337,928</u>	<u>2,331,024</u>	<u>(6,904)</u>
Expenditures:			
Payroll and related taxes and benefits	88,305	85,723	2,582
Disposal fees	977,852	974,032	3,820
Repairs and maintenance	8,950	7,410	1,540
Operating supplies	3,070	2,709	361
General and administration	228,778	188,656	40,122
Capital outlay	52,800	17,602	35,198
Debt service:			
Interest	257,567	257,567	-
Principal	<u>2,685,000</u>	<u>2,685,000</u>	<u>-</u>
Total expenditures	<u>4,302,322</u>	<u>4,218,699</u>	<u>83,623</u>
Excess (deficiency) of revenues over expenditures	<u>(1,964,394)</u>	<u>(1,887,675)</u>	<u>76,719</u>
Other financial sources (uses):			
Intrafund operating transfer out	<u>(12,000)</u>	<u>(21,406)</u>	<u>(9,406)</u>
Total other financial sources (uses)	<u>(12,000)</u>	<u>(21,406)</u>	<u>(9,406)</u>
Excess (deficiency) of revenues over expenditures and other financial uses	<u>(1,976,394)</u>	<u>(1,909,081)</u>	<u>67,313</u>
Fund balance - budgetary basis:			
Beginning of year	<u>3,659,331</u>	<u>3,659,331</u>	<u>-</u>
End of year	<u><u>\$ 1,682,937</u></u>	<u><u>\$ 1,750,250</u></u>	<u><u>\$ 67,313</u></u>

The accompanying notes are an integral part of the financial statements.

NORTHEAST NEBRASKA SOLID WASTE COALITION
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN CLOSURE/POST CLOSURE FUND BALANCE -
 BUDGET AND ACTUAL - BUDGETARY BASIS
for the Fiscal Year Ended September 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 195,815	\$ 222,265	\$ 26,450
Other financial sources:			
Intrafund operating transfer in	12,000	21,406	9,406
Fund balance - budgetary basis:			
Beginning of year	<u>3,136,831</u>	<u>3,136,831</u>	<u>-</u>
End of year	<u>\$ 3,344,646</u>	<u>\$ 3,380,502</u>	<u>\$ 35,856</u>

The accompanying notes are an integral part of the financial statements.

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2008 and 2007

1. Summary of Significant Accounting Policies:

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

A. Reporting Entity and Nature of Operations:

The Northeast Nebraska Solid Waste Coalition (the Coalition) is a joint venture composed of twenty-four cities and counties in Northeast Nebraska formed pursuant to the Nebraska Interlocal Cooperation Act for the purpose of providing solid waste management to their respective entities by the means of creating, building, and operating a solid waste disposal facility, more commonly referred to as a landfill. The Coalition's Board is composed of a member from each of the participating cities and counties. None of the participating entities have an equity interest in the Coalition. The Coalition commenced operations October 30, 1995.

B. Basis of Accounting:

The Coalition's financial statements are prepared using a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operation of the Coalition are included on the balance sheet. The operating statement presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The Coalition uses the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. Bond issue costs are amortized on a method approximating level yield over the life of the bonds. Fixed assets are depreciated on a straight-line basis over estimated useful lives ranging from 2 - 30 years on buildings and improvements and 5 - 25 years on equipment. The Coalition applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations.

C. Budgets/Budgetary Accounting:

With the passage of LB 1207 in the 1994 Legislative session, joint entities such as the Northeast Nebraska Solid Waste Coalition created to fulfill the purpose of Integrated Solid Waste Management Act pursuant to the Interlocal Cooperation Act, were required to comply with the Municipal Proprietary Function Act for purposes of budgetary accounting. At the December 27, 2007 Coalition meeting following a public hearing, the Coalition Board adopted the budget for the fiscal

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2008 and 2007

C. Budgets/Budgetary Accounting (Continued):

year ending September 30, 2008. Prior to this, public hearings on the budget were also held in Fremont, Norfolk and Columbus. This budget was prepared by Coalition staff and submitted to the Coalition Board for their approval. The Municipal Proprietary Function Act requires that if estimated expenditures exceed budgeted expenditures the Board must adopt a proprietary function reconciliation statement within 90 days after year end which reflects any difference between the adopted budget statement and the actual expenditures for the fiscal year.

The Coalition's budget is adopted and stated on a cash basis. For budget purposes both cash and cash equivalents along with restricted cash and investments (net of unamortized discount) are considered cash. The Budgetary Comparison Statement is prepared on this budgetary basis, which is not in accordance with U.S. generally accepted accounting principles.

D. Statements of Cash Flows:

The Coalition's cash and cash equivalents (which includes restricted cash) consists of demand deposit accounts and any certificates of deposit with original maturities of three months or less which are considered cash equivalents for purposes of the Statement of Cash Flows.

E. Investments:

The Coalition uses the following methods in determining the reported amounts:

<u>Type</u>	<u>Method</u>
Certificates of Deposit	Cost
Treasury Notes	Fair Value

2. Budget and Budgetary Control:

The annual appropriated budget adopted by the Coalition is prepared on a cash basis and, therefore, the budgetary basis differs from that used to present the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Such differences and their effect on operations are summarized as follows:

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2008 and 2007

2. Budget and Budgetary Control (continued):

Excess of revenues over expenditures and other financial	
Uses, on a budgetary basis:	
General Fund	(\$1,909,081)
Closure/Post Closure Fund	<u>243,671</u>
	(1,665,410)
Basis differences:	
To adjust revenues from recognition on a cash basis	127,922
To adjust total expenditures from recognition on a cash basis	<u>2,086,387</u>
Net Income, on a GAAP basis	<u><u>\$ 548,899</u></u>

3. Cash and Cash Equivalents:

On September 30, 2008 and 2007, the Coalition's cash consisted entirely of fully insured and collateralized checking accounts and certificates of deposit. The Coalition's policy is to maintain all cash and equivalents either in fully insured and/or collateralized checking accounts, certificates of deposit and short-term U.S. Treasury obligations maturing in approximately one year or less. On September 30, 2008 and 2007, and throughout such years, the Coalition's bank deposits were entirely covered by Federal Deposit Insurance or by collateral held in joint custody in the Coalition's name at a third party bank (a Federal Reserve Bank) acting as the Coalition's agent. The Coalition's agent in the Coalition's name held U.S. Treasury obligations. Pursuant to bond covenants, \$102,000 and \$110,000 is required to be held in the operations and maintenance account and is shown as a portion of Restricted Cash on the balance sheet at September 30, 2008 and 2007 respectively. Also included in Restricted Cash at September 30, 2008 and 2007 are \$145,483 and \$185,068 respectively, of bond reserve as required by the bond ordinance.

4. Deposit and Investments:

The Coalition's deposits at September 30, 2008 were fully insured and collateralized checking accounts. The Coalition's primary account had a balance at September 30, 2008 of \$1,166,162. The Coalition also has an account held by the Coalition to finance closure/post closure care. At September 30, 2008 the balance in this bank account was \$26,847.

Investments are shown at fair market value. Investments held for closure/post closure care consisted of zero coupon U.S. Treasury obligations (Strips), maturing May 15, 2011, August 15, 2015, November 15, 2015, August 15, 2019, February 15, 2020 and November 15, 2026. Inflation Indexed Treasury Notes maturing January 15, 2010 and

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2008 and 2007

4. Deposit and Investments (Continued):

April 15, 2028 and a U.S. Treasury Note maturing August 15, 2028. Pursuant to bond covenants, investments held for Debt Service consisted of U.S. Treasuries held by the Bond Trustee with original maturity of five years or less maturing on January 15, 2009 with a fair market value of \$579,678. At September 30, 2008 the Coalition had the following investments:

<u>US Treasury Obligations:</u>	<u>Maturity</u>	<u>Fair Value</u>
Inflation Indexed Notes	1/15/2010	\$274,579
Inflation Indexed Notes	4/15/2028	\$305,421
Inflation Indexed Notes	4/15/2028	\$281,927
Inflation Indexed Notes	4/15/2028	\$294,457
Strips	8/15/2015	\$404,160
Strips	5/15/2011	\$712,406
Strips	2/15/2020	\$352,080
Strips	8/15/2019	\$404,738
Strips	11/15/2015	\$304,657
Strips	11/15/2026	\$209,409
Notes	8/15/2028	\$247,448
Notes	1/15/2009	\$579,678

Interest Rate Risk: The Coalition's investment policy for operating funds is limited to Direct U.S. Treasury obligations or certificates of deposit with a maturity of 1 year or less. The investment policy for Debt Service funds is direct U.S. Treasury obligations with a maturity of 5 years or less. The investment policy for Closure/Post Closure Funds is direct U.S. Treasury obligations with investments maturing on or before needed for closure and post closure care.

Credit Risk: Coalition's investments at September 30, 2008 consisted entirely of U.S. Treasury obligations rated AAA.

Concentration of Credit Risk: The Coalition's investment policy places no limits on the amounts that may be invested in any one issuer.

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2008 and 2007

4. Deposit and Investments (Continued):

Reconciliation to the financial statements:

	<u>Carrying Amount</u>
Investments	\$4,370,960
Demand deposits	<u>1,193,008</u>
	<u>5,563,968</u>
Cash and cash equivalents	918,678
Restricted cash	247,483
Cash and investments held for closure/postclosure costs	3,818,129
Investments with bond trustee	<u>579,678</u>
	<u>\$5,563,968</u>

5. Debt:

Changes in bonds payable for the period ended September 30, 2008 were as follows:

	Balance October 01, 2007	Additions	Retirements	Balance September 30, 2008	Due Within One Year
Revenue bonds, 4.45% to 4.80% mature in 2018	\$ 6,110,000	\$ -	\$ 2,685,000	\$ 3,425,000	\$ 275,000

These bonds are reported net of unamortized deferred bond discount of \$42,282 and \$67,650 as of September 30, 2008 and 2007 respectively.

The Coalition issued \$8,000,000 of bonds dated October 1, 1998 with a final maturity of May 15, 2023. The proceeds of these bonds were used to refund the existing \$1,160,000 of Coalition Bond Anticipation Notes, \$5,465,000 of 1995 Series bonds, and provide for additional construction of the Coalition landfill. These were issued with an Original Issue Discount of .13%. Although the advance refunding resulted in the recognition of a deferred accounting loss of \$181,504 for the year ended July 31, 1999, the Coalition in effect reduced its aggregate debt service payments by almost \$850,000 over 25 years and obtained an economic gain of \$320,000. The deferred loss is being amortized over 22 years.

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2008 and 2007

5. Debt: (Continued)

The Coalition has pledged future customer revenues, net of specified operating expenses, to repay \$3,425,000 in revenue bonds issued in October 1998. Proceeds from the bonds provided financing for additional construction to the Coalition landfill. The bonds are payable solely from customer net revenues and are payable through 2018. Principal and interest payments on the bonds for fiscal year 2008 were 128% of customer revenues due to paying \$2,420,000 of principal early and would have been 23% without early bond payment. The total principal and interest remaining to be paid on the bonds is \$4,380,490. Principal and interest paid for the current year and total customer revenues were \$2,942,567 and \$2,278,912, respectively.

On February 1, 2008 the Coalition called and paid from cash \$2,420,000 term bonds shortening final maturity from May 15, 2023 to May 15, 2018.

The remaining term bonds hold interest rates that range from 4.45% to 4.80%. Bonds will be paid by revenues from the operation of the landfill. The following schedule sets forth the remaining debt service requirements for the 1998 Bonds.

DEBT SERVICE SCHEDULE FOR 1998 BONDS

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$275,000	\$161,450	\$436,450
2010	295,000	149,075	444,075
2011	300,000	135,505	435,505
2012	310,000	121,405	431,405
2013	335,000	106,680	441,680
2014-2018	1,910,000	281,375	2,191,375
Totals	<u>\$3,425,000</u>	<u>\$955,490</u>	<u>\$4,380,490</u>

6. Closure and Postclosure Care Cost:

State and federal laws and regulations require the Coalition to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after final closure. Although closure and postclosure care costs will be paid only near or after the date of closure, the Coalition

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2008 and 2007

6. Closure and Postclosure Care Cost: (continued)

reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as each balance sheet date. The \$2,760,895 and \$2,446,233 reported as landfill closure and postclosure care liability at September 30, 2008 and 2007, respectively, represents the cumulative amount reported to date based on the use of 24.4% and 22.3% respectively, of the estimated capacity of the landfill. The Coalition will recognize the remaining amount of the total estimated cost of closure and postclosure care of 11.3 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008 and 2007. The Coalition expects to close the landfill in a single phase. The estimated remaining landfill is 34 years. Actual cost could change significantly due to inflation, changes in technology, or changes in regulations.

The Coalition is required by state and federal laws regulations to make annual contributions to an account held by the Coalition to finance closure and postclosure care. The Coalition is in compliance with these requirements and, at September 30, 2008 and 2007, cash and investments of \$3,380,502 and \$3,136,831, respectively, (\$3,818,129 and \$3,489,430 fair value, respectively) are held for these purposes. These are reported as restricted assets on the balance sheet. The Coalition expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
NOTES TO FINANCIAL STATEMENTS**
For the fiscal years ended September 30, 2008 and 2007

7. Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,218,051	\$ -	\$ -	\$ 1,218,051
Total capital assets, not being depreciated	<u>1,218,051</u>	<u>-</u>	<u>-</u>	<u>1,218,051</u>
Capital assets, being depreciated:				
Buildings & land improvements	8,287,930	-	-	8,287,930
Equipment	25,724	18,212	(604)	43,332
Total capital assets, being depreciated	<u>8,313,654</u>	<u>18,212</u>	<u>(604)</u>	<u>8,331,262</u>
Less accumulated depreciation for:				
Buildings & land improvements	3,489,560	258,764	-	3,748,324
Equipment	18,020	1,845	163	19,702
Total accumulated depreciation	<u>(3,507,580)</u>	<u>(260,609)</u>	<u>163</u>	<u>(3,768,026)</u>
Total capital assets, being depreciated, net	<u>4,806,074</u>	<u>(242,397)</u>	<u>(441)</u>	<u>4,563,236</u>
Capital assets, net	<u>\$6,024,125</u>	<u>(\$242,397)</u>	<u>(\$441)</u>	<u>\$ 5,781,287</u>

8. Risk Management:

The Coalition is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Coalition's general liability policy is a two million dollar aggregate, one million dollar per occurrence policy. The policy period is October 1, 2007 to September 30, 2008. Settled claims have not exceeded coverage in any of the past three years.

9. Reclassifications of a General Nature:

Certain amounts presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income or fund balance.

**NORTHEAST NEBRASKA
SOLID WASTE COALITION
Schedule of Findings
For the Fiscal Year Ended September 30, 2008**

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, and is considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No Matters were noted.

There were no prior year audit findings.

Significant Deficiencies:

II-A-08 - Financial Reporting

Observation - During the audit we identified material amounts of receivables and payables not recorded properly in the Coalition's financial statements. Adjustments were subsequently made by the Coalition to properly report these amounts in the financial statements.

Recommendation – The Coalition should implement procedures to ensure all receivables and payables are identified and properly recorded in the Coalition's financial statements.

Response – We will double check these in the future to avoid any missing receivable or payable transactions.

Conclusion – Response accepted.



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS
AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Northeast Nebraska Solid Waste Coalition

We have audited the financial statements of the Northeast Nebraska Solid Waste Coalition, as of and for the years ended September 30, 2008 and 2007, which collectively comprise the Northeast Nebraska Solid Waste Coalition's basic financial statements and have issued our report thereon dated March 24, 2009. 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.

Compliance and Other Matters:

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

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Northeast Nebraska Solid Waste Coalition's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northeast Nebraska Solid Waste Coalition'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 a significant deficiency and material weakness.

A control deficiency exists when the design or operation of the 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 Northeast Nebraska Solid Waste Coalition's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Northeast Nebraska Solid Waste Coalition's financial statements that is more than inconsequential will not be prevented or detected by the Northeast Nebraska Solid Waste Coalition's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item II-A-08 to be a significant deficiency 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 statements will not be prevented or detected by the Northeast Nebraska Solid Waste Coalition'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 the significant deficiency described above to be a material weakness.

The Northeast Nebraska Solid Waste Coalition's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Northeast Nebraska Solid Waste Coalition'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 Board of Directors and management. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Northeast Nebraska Solid Waste Coalition during the course of our audit. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your earliest convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 24, 2009