



**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
Clinton, Iowa

**FINANCIAL STATEMENTS**  
June 30, 2004



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**CLINTON COUNTY AREA SOLID WASTE AGENCY  
LIST OF OFFICERS AND MEMBERS  
June 30, 2004**

**OFFICERS**

Dave Richards  
Doug Goodall  
Dawn Carstensen

Goose Lake, Iowa  
Delmar, Iowa  
Charlotte, Iowa

Chairman  
Vice-Chairman  
Secretary-Treasurer

**MEMBERS**

Jon Johnson  
Lavern Boedeker  
Jeff Thompson  
Dawn Carstensen  
Rodger Holm  
Doug Goodall  
Verlyn Scheckel  
Dave Richards  
Ken Mosier  
Leslie Schultz  
Don Byers  
Jennifer Junkins  
Francis Schmidt  
Century Schnede  
Board of Supervisors

Andover, Iowa  
Calamus, Iowa  
Camanche, Iowa  
Charlotte, Iowa  
Clinton, Iowa  
Delmar, Iowa  
DeWitt, Iowa  
Goose Lake, Iowa  
Grand Mound, Iowa  
Lost Nation, Iowa  
Low Moor, Iowa  
Toronto, Iowa  
Welton, Iowa  
Wheatland, Iowa  
Clinton, Iowa

(Clinton County Rep.)

## Independent Auditor's Report

To the Officers and Members  
Clinton County Area Solid Waste Agency  
Clinton, Iowa

We have audited the accompanying financial statements of the Clinton County Area Solid Waste Agency as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 financial position of the Clinton County Area Solid Waste Agency as of June 30, 2004 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9, during the year ended June 30, 2004, Clinton County Area Solid Waste Agency adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2004, on our consideration of the Clinton County Area Solid Waste Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Clifton Gunderson LLP*

Clinton, Iowa  
August 18, 2004

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

Clinton County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- The Agency's operating revenues decreased 1.5%, or \$19,809, from fiscal 2003 to fiscal 2004.
- The Agency's operating expenses were 9.9%, or \$130,496, more in fiscal 2004 than in fiscal 2003.
- The Agency's net assets decreased 3.6%, or \$115,476, from June 30, 2003 to June 30, 2004.

**USING THIS ANNUAL REPORT**

The Clinton County Area Solid Waste Agency 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 are intended to serve as an introduction to Clinton County Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

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

The Statement of Net Assets presents information on the Agency'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 Agency 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 Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency'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 Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency 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.

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

**FINANCIAL ANALYSIS OF THE AGENCY**

**Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal 2004 totaled \$3,081,446. This compares to \$3,196,922 for fiscal 2003. A summary of the Agency's net assets is presented below.

	<b>June 30, 2004</b>
Current assets	\$1,866,174
Restricted investments	191,787
Capital assets (net of accumulated depreciation)	<u>2,176,067</u>
Total assets	<u>4,234,028</u>
Current liabilities	397,695
Noncurrent liabilities	<u>754,887</u>
Total liabilities	<u>1,152,582</u>
Net assets	
Invested in capital assets, net of related debt	2,176,067
Restricted for:	
Closure and postclosure costs	191,787
Unrestricted	
Designated for capital improvements and maintenance	1,461,010
Undesignated	<u>(747,418)</u>
<b>Total net assets</b>	<b><u>\$3,081,446</u></b>

A portion of the Agency's net assets (6.2%) is the restricted for closure and postclosure care due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (70.6%, e.g., land, buildings and equipment), less the related debt portion of net asset are resources allocated to capital assets. The remaining net assets (23.2%) are the unrestricted net assets.

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

**Statement of Revenues, Expenses and Changes in Net Assets**

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are primarily for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2004 is presented below.

**Changes in Net Assets**

	<b>Year Ended June 30, 2004</b>
Operating revenues	
Charges for service	\$ 704,527
County and city assessments	250,745
Commodities sold	155,038
Other operating revenues	<u>156,694</u>
Total operating revenues	<u>1,267,004</u>
Operating expenses	
Landfill	997,708
Recycling	208,441
RCC	62,169
Bio-reactor	<u>174,706</u>
Total operating expenses	<u>1,443,024</u>
Operating loss	<u>(176,020)</u>
Nonoperating revenues (expenses)	
Finance charges	2,099
Interest revenue	45,187
Rental income	11,758
Rental depreciation	(1,250)
Gain on sale of assets	<u>2,750</u>
Net nonoperating revenues (expenses)	<u>60,544</u>
Change in net assets	(115,476)
Net assets, beginning of year	<u>3,196,922</u>
<b>Net assets, end of year</b>	<b><u>\$3,081,446</u></b>

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

The Statement of Revenues, Expenses and Changes in Net Assets reflects a negative year with a decrease in the net assets at the end of the fiscal year.

In fiscal 2004, operating revenues decreased by \$19,809, or 1.5%. Operating expenses increased by \$130,496, or 9.9%.

**Statement of Cash Flows**

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash provided by operating activities includes cash received from customers, assessments, and other operating receipts reduced by payments to suppliers and employees. Cash used in capital and related financing activities includes rental income, the purchase of capital assets, and gains on the sale of assets. Cash provided by investing activities includes finance charges, interest income, and purchases and redemptions of investments.

**CAPITAL ASSETS**

At June 30, 2004, the Agency had \$2,176,067 invested in capital assets, net of accumulated depreciation of \$2,023,613. Depreciation charges totaled \$224,206 for fiscal 2004. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

**LONG-TERM DEBT**

At June 30, 2004, the Agency had \$754,887 in debt outstanding, an increase of \$35,648 from 2003. The table below summarizes outstanding debt by type.

	<u>June 30, 2004</u>
Closure and postclosure care costs	\$ 754,887

Additional information about the Agency's long-term debt is presented in Note 4 to the financial statements.

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

**ECONOMIC FACTORS**

Clinton County Area Solid Waste Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep. The past fiscal year the agency replaced a roof and oil-burning furnace in the recycling center. Fans were added to the shop area for circulation. A regrading project on a closed section of the landfill was done to help with storm water management. These projects were large capital expenses. The upcoming fiscal year, the agency would like to enclose the Bioreactor's current buildings. There are also future plans to put a leachate collection system in place and plan for a Subtitle D landfill cell.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost. The upcoming fiscal year will include an upgrade of new computers and software for our scale and accounting program.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. The agency is at a point where the current cell has 10 years of life or less, because of new state of Iowa regulations for landfills. The financial assurance cost will go down each year as we come to an end with this current area. When a new cell is developed the financial assurance process will begin again.
- The Agency faces a loss in tonnage over the past decade due to waste being able to travel over state lines. The agency has taken an active approach to regain some loss tonnage and revenue with commercial haulers.
- Some of the solid waste programs that are required for the Agency to handle have been implemented with a user fee to help support them. This will continue to happen to keep the programs alive and to keep them available for residents.

The Agency anticipates the current fiscal year will be much like the prior and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clinton County Area Solid Waste Agency, P.O. Box 906, Clinton, Iowa 52732.

## **BASIC FINANCIAL STATEMENTS**

**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**

**ASSETS**

## Current assets

Cash and cash equivalents	\$ 314,011
Investments	1,461,010
Accounts receivable	81,366
Prepaid insurance	9,787
Total current assets	<u>1,866,174</u>

## Noncurrent assets

Restricted investments	191,787
Capital assets (net of accumulated depreciation)	2,176,067
Total noncurrent assets	<u>2,367,854</u>

**Total assets**\$ 4,234,028**LIABILITIES**

## Current liabilities

Accounts payable - trade	47,350
Accrued payroll taxes	3,389
Accrued IPERS	2,291
Accrued other withholdings	1,292
Accrued ground water tax	8,140
Accrued recycling costs	203,028
Accrued closure costs	132,205
Total current liabilities	<u>397,695</u>

## Noncurrent liabilities

Landfill closure and postclosure care costs	<u>754,887</u>
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**Total liabilities**1,152,582**NET ASSETS**

Invested in capital assets, net of related debt	2,176,067
Restricted for:	
Closure and postclosure costs	191,787
Unrestricted	
Designated for capital improvements and maintenance	1,461,010
Undesignated	<u>(747,418)</u>

**Total net assets**\$ 3,081,446

These financial statements should be read only in connection with the  
accompanying summary of significant accounting policies  
and notes to financial statements.

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
Year Ended June 30, 2004**

**EXHIBIT B**

**OPERATING REVENUES**

Landfill		
Charges for service	\$ 704,527	
Tire handling fee	12,545	
Permit fees	3,876	
County and city assessments	250,745	
Contracted waste	42,096	
Salvage	1,450	
Miscellaneous	34,861	
Total landfill	1,050,100	
Recycling		
Commodities sold	155,038	
Regional Collection Center (RCC)		
Grant revenue	7,685	
Member's expense reimbursement	39,451	
Customer income	2,931	
CESQG	6,518	
Total RCC	56,585	
Bio-reactor		
Contracted bio-waste	5,281	
Total operating revenues		\$ 1,267,004

**OPERATING EXPENSES** 1,443,024

**OPERATING LOSS** (176,020)

**NONOPERATING REVENUES (EXPENSES)**

Finance charges	2,099	
Interest revenue		
Operations	2,977	
Financial assurance	42,210	
Rental income	11,758	
Rental depreciation	(1,250)	
Gain on sale of assets	2,750	
Total nonoperating revenues (expenses)	60,544	

**CHANGE IN NET ASSETS** (115,476)

**NET ASSETS, BEGINNING OF YEAR** 3,196,922

**NET ASSETS, END OF YEAR** \$ 3,081,446

These financial statements should be read only in connection with the  
accompanying summary of significant accounting policies  
and notes to financial statements.

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 960,107
Cash received from assessments	250,745
Cash received from other operating receipts	42,546
Cash paid to suppliers for goods and services	(923,638)
Cash paid to employees for services	<u>(262,488)</u>

Net cash provided by operating activities \$ 67,272

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Rental income	11,758
Purchase of capital assets	(129,571)
Gain on sale of assets	<u>2,750</u>

Net cash used in capital and related financing activities (115,063)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Finance charges	2,099
Interest received	45,187
Investment purchases	(885,727)
Investment redemptions	<u>891,280</u>

Net cash provided by investing activities 52,839

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 5,048

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 308,963

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 314,011

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2004**

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating loss		\$ (176,020)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	\$ 222,956	
Closure and postclosure care costs	35,648	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(13,606)	
Decrease in prepaid insurance	4,000	
(Decrease) in accounts payable - trade	(24,017)	
Increase in payroll taxes	48	
Increase in IPERS	164	
(Decrease) in other withholdings	(21)	
Increase in ground water tax	1,010	
Increase in recycling costs	11,692	
Increase in closure costs	5,418	
Total adjustments	243,292	243,292
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>\$ 67,272</b>

These financial statements should be read only in connection with the  
accompanying summary of significant accounting policies  
and notes to financial statements.

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
June 30, 2004**

Clinton County Area Solid Waste Agency was formed on July 3, 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to operate the sanitary landfill in Clinton County, Iowa for use by all residents of Clinton. Services are also provided for Jackson and Cedar Counties, Iowa.

The Agency is composed of one representative from each of the fourteen member cities and one representative from Clinton County. The member cities are: Andover, Calamus, Camanche, Charlotte, Clinton, Delmar, DeWitt, Goose Lake, Grand Mound, Lost Nation, Low Moor, Toronto, Welton, and Wheatland. Each member shall be entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **REPORTING ENTITY**

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

#### **USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **FUND ACCOUNTING**

The accounts of Clinton County Area Solid Waste Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
June 30, 2004**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In reporting the financial activity of its enterprise fund, the Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CASH EQUIVALENTS**

The Agency considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**RESTRICTED INVESTMENTS**

Funds set aside for the payment of closure and postclosure care costs.

**CAPITAL ASSETS**

Capital assets are accounted for at historical cost or estimated historical cost where historical cost is not available. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Buildings and developmental costs are amortized over ten to thirty years and equipment is depreciated over a five to ten year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2004.

This information is an integral part of the accompanying financial statements.

**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

**NOTE 1 - CASH AND INVESTMENTS**

The Agency's deposits in banks for the year ended June 30, 2004 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 depositories to insure there will be no loss of public funds.

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

The Agency's investments are categorized to give an indication of the level of risk assumed by the Agency at year end. The Agency's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the Agency or its agent in the Agency's name.

The Agency's investments at June 30, 2004 were as follows:

	<u>Fair Value</u>
Investments	
U.S. Treasury securities	\$ 125,156
U.S. Government agency bonds	447,539
Federal agencies	100,531
Mutual funds - fixed income	454,093
Certificates of deposit	302,755
Money market accounts	30,936
Restricted investments	
Money market accounts	<u>191,787</u>
<b>Total investments</b>	<u><b>\$1,652,797</b></u>

**NOTE 2 - LEASE AGREEMENTS**

The Agency leased 12 acres of cropland to an unrelated lessee. The lease term is from March 1 to February 28. The land must be used for agricultural crop purposes. Rental fees are \$900 per year. The Agency also rented a small parcel of hay cropland to an unrelated party for \$500, a parcel of cropland to an unrelated party for \$350 per year, a parcel of pasture land to an unrelated party for \$1,200, and 63.4 acres of cropland to an unrelated party for \$7,608 per year.

Total rental income was \$11,758 for the year ended June 30, 2004.

**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

**NOTE 3 - CAPITAL ASSETS**

A summary of capital assets at June 30, 2004 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land and improvements	\$ 698,780	\$ 103,000	\$ -	\$ 801,780
Capital assets being depreciated:				
Development costs	766,362	-	-	766,362
Buildings	1,989,090	26,571	-	2,015,661
Equipment and vehicles	629,627	-	13,750	615,877
Total capital assets being depreciated	<u>3,385,079</u>	<u>26,571</u>	<u>13,750</u>	<u>3,397,900</u>
Less accumulated depreciation for:				
Development costs	549,786	21,587	-	571,373
Buildings	787,420	168,446	-	955,866
Equipment and vehicles	475,951	34,173	13,750	496,374
Total accumulated depreciation	<u>1,813,157</u>	<u>224,206</u>	<u>13,750</u>	<u>2,023,613</u>
Total capital assets being depreciated, net	<u>1,571,922</u>	<u>(197,635)</u>	<u>-</u>	<u>1,374,287</u>
<b>Total capital assets, net</b>	<u>\$2,270,702</u>	<u>\$ (94,635)</u>	<u>\$ -</u>	<u>\$2,176,067</u>

**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

**NOTE 4 - CLOSURE AND POSTCLOSURE CARE COSTS**

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for Clinton County Area Solid Waste Agency have been estimated at \$663,728 for closure and \$380,658 for post closure for a total of \$1,044,386 as of June 30, 2004, and the portion of the liability that has been recognized is \$754,887 at June 30, 2004. This liability represents the cumulative amount reported to date based on the use of approximately 72.99 percent of the estimated capacity of the landfill with a remaining life of 10 years. A provision for the above liability has been made on the Agency's balance sheet as of June 30, 2004.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. Effective July 1, 2002, Chapter 567-111.8(8) of the Iowa Administrative Code requires annual deposits to these closure and postclosure accounts determined by formula. The required deposits were made during the current fiscal year, and the account balance as of June 30, 2004 was \$191,787 and is included in the restricted investments.

The Agency has elected to use the Letter of Credit mechanism to demonstrate financial assurance for unfunded costs, and has established a \$1,300,000 letter of credit as of June 30, 2004.

**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

**NOTE 5 - SOLID WASTE TONNAGE FEES RETAINED**

Chapter 455B.310 of the Code of Iowa establishes a tonnage fee of four dollars and twenty-five cents per ton of solid waste. The landfill operator shall retain ninety-five cents of the tonnage fee to be used as described in the following paragraph and can retain an additional thirty-five cents of the tonnage fee as described below if an updated comprehensive plan has been approved for the Agency. The remainder of the tonnage fee is remitted to the Department of Natural Resources on a quarterly basis.

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure care plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. Forty-five cents per ton of the tonnage fee shall be disbursed to a city, county, or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Agency's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities.

An updated comprehensive plan was approved by the Department of Natural Resources allowing the Agency to retain an additional thirty-five cents per ton of the tonnage fee. The thirty-five cents per ton of the tonnage fee shall be used for waste reduction, recycling, or small business pollution prevention purposes.

As of June 30, 2004, there were not any unspent amounts retained by the Agency and restricted for the required purposes.

**NOTE 6 - COMPACTING CONTRACT**

The Agency contracts with Rittmer, Inc. for compacting in both landfill sites. The current contract with Rittmer, Inc. is effective July 1, 2003 through June 30, 2004. It requires monthly payments of \$32,833 for basic operations and \$1.30 per ton for refuse processing.

**NOTE 7 - RISK MANAGEMENT**

Clinton County Area Solid Waste Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

**NOTE 8 - PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll for year ended June 30, 2004. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the year ended June 30, 2004 was \$13,300.

**NOTE 9 - ACCOUNTING CHANGE**

For the year ended June 30, 2004, the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these statements had no effect on the beginning balances of the Agency.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
**SCHEDULE OF CHARGES FOR SERVICE**  
**Year Ended June 30, 2004**

Refuse - \$44.00 per ton from July 1, 1994 through June 30, 2004	\$ 644,077
Asbestos - \$25.00 per cu. yd. from February 1, 1992 through June 30, 2004	2,800
ADM fly ash - \$9.00 per ton from January 1, 1995 through June 30, 2004	56,950
Contaminated soil - \$35.00 per load from July 1, 1994 through June 30, 2004	<u>700</u>
<b>TOTAL CHARGES FOR SERVICE</b>	<u><u>\$ 704,527</u></u>

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
SCHEDULE OF OPERATING EXPENSES  
Year Ended June 30, 2004**

**OPERATING EXPENSES**

Landfill		
Agency vehicle	\$	1,173
Conferences and seminars		255
Advertising		1,120
Education expense		109
Payroll		104,894
Reimbursements		101
Employee education		2,130
Clothing allowance		635
Payroll tax		8,007
Employer IPERS		13,300
Contracted compacting and covering charges		394,000
Secretarial services		396
Tire expense		6,179
Machine repairs		490
Utilities		1,528
Telephone		2,240
Office expense		6,698
Postage		1,821
Insurance		82,070
Professional fees		39,153
Annual audit		7,920
Maintenance		27,679
Ground water remediation		161,790
Ground water tax		40,495
Special handling expense		672
Refuse processing		16,713
Closure and postclosure care costs		35,648
Supplies		1,473
Office supplies		2,657
Brown goods disposal		1,047
Dues		3,190
Travel expense		564
Bank charges		139
Trust expense		17,982
Bad debt expense		1,784
Miscellaneous expense		265
Depreciation		<u>11,391</u>
Total landfill		<u>\$ 997,708</u>

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
SCHEDULE OF OPERATING EXPENSES  
Year Ended June 30, 2004**

**OPERATING EXPENSES (continued)**

Recycling		
Conferences, seminars, and travel	\$	135
Advertising		646
Payroll		
Operations		95,803
Payroll tax		7,329
Employee education		400
Machine repairs		8,101
Utilities		5,438
Office expense		446
Insurance		12,000
Maintenance		10,294
Supplies		7,911
Depreciation		<u>59,938</u>
Total recycling		<u>\$ 208,441</u>
RCC		
Advertising		1,265
Payroll		
Education coordinator		14,933
Employee education		190
Payroll tax		1,142
Telephone		611
Supplies		1,463
RCC disposal		26,315
RCC county rebate expense		8,032
RCC expense		780
Depreciation		<u>7,438</u>
Total RCC		<u>62,169</u>

**CLINTON COUNTY AREA SOLID WASTE AGENCY**  
**SCHEDULE OF OPERATING EXPENSES**  
**Year Ended June 30, 2004**

**OPERATING EXPENSES** (continued)

Bio-reactor		
Payroll		
Operations	\$	16,044
Payroll taxes		1,227
Advertising		98
Machine repairs		2,480
Utilities		5,324
Office expense		670
Insurance		2,898
Professional fees		562
Maintenance		528
Supplies		686
Depreciation		<u>144,189</u>
Total bio-reactor		<u>\$ 174,706</u>
<b>TOTAL OPERATING EXPENSES</b>		<u><u>\$ 1,443,024</u></u>

## **Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting**

To the Officers and Members  
Clinton County Area Solid Waste Agency

We have audited the financial statements of the Clinton County Area Solid Waste Agency as of June 30, 2004 and have issued our report thereon dated August 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Clinton County Area Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of the statutes.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Clinton County Area Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clinton County Area Solid Waste Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Item 04-I-A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. This reportable condition has been repeated from the prior year. We also noted other matters involving the internal control over financial reporting that we have reported to management of Clinton County Area Solid Waste Agency in a separate letter dated August 18, 2004.

This report, a public record by law, is intended for the information and use of the Officers and Members of the Clinton County Area Solid Waste Agency and management. This report is not intended to be and should not be used by anyone other than these specified parties.

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

*Clifton Henderson LLP*

Clinton, Iowa  
August 18, 2004

**CLINTON COUNTY AREA SOLID WASTE AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004**

**Part I: Findings Related to the Financial Statements:**

04-I-A Segregation of Duties - Due to a limited number of personnel performing accounting functions, the Agency does not have adequate segregation of duties over accounting transactions. As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

Recommendation - When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities.

Response - We agree, and will continue to monitor monthly financial results and obtain explanations of variances from budget and prior year results.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

04-II-A Official Depositories - A resolution naming official depositories has been approved by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

04-II-B Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

04-II-C Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.

04-II-D Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.

04-II-E Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B.10B of the Code of Iowa were noted.

04-II-F Solid Waste Retainage Fees - During the year ended June 30, 2004, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

04-II-G Financial Assurance - The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a letter of credit as provided in Chapter 111.6 of the Iowa Administrative Code. Total estimated costs for closure and postclosure care are \$1,044,386. The letter of credit has been established in the amount of \$1,300,000.