

AUDUBON COUNTY SOLID WASTE  
MANAGEMENT COMMISSION

Independent Auditors' Reports  
Basic Financial Statements  
Required Supplementary Information  
Schedule of Findings

Year Ended June 30, 2004

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

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# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Lora Anthofer	Chairperson	County Representative
Vernie Venteicher	Member	County Representative
Robert Sornson	Vice Chairman	Audubon Representative
Paul Christensen	Member	Brayton Representative
Hazel Bengard	Member	Exira Representative
George W. Campbell	Member	Gray Representative
Rod Fulton	Member	Kimballton Representative
Janet Hansen	Director	

## INDEPENDENT AUDITORS' REPORT

To the Members of the Audubon County  
Solid Waste Management Commission  
Audubon, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Audubon County Solid Waste Management Commission, as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Commission'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, 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 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 pro-vides a reasonable basis for our opinion.

As described in note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of Audubon County Solid Waste Management Commission as of and for the year ended June 30, 2004, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

As discussed in Note 12, during the year ended June 30, 2004, Audubon County Solid Waste Management Commission 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 October 20, 2004 on our consideration of Audubon County Solid Waste Management Commission’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Governmental 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 6 through 9 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.

OLSEN, MUHLBAUER & CO., L.L.P.  
Certified Public Accountants

October 20, 2004

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Management's Discussion and Analysis

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

### 2004 FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating receipts increased 7%, or approximately \$22,000, from fiscal 2003 to fiscal 2004.
- ◆ The Commission's operating disbursements increased approximately \$6,000, or 2%, from fiscal 2003 to fiscal 2004.
- ◆ The Commission's net assets increased 12%, or approximately \$90,000, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

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

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

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

This discussion and analysis are intended to serve as an introduction to the Audubon County Solid Waste Management Commission'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 Commission's financial activities.
- The Statement of Net Assets – Cash Basis presents information on the Commission's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.
- The Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF THE COMMISSION

#### Statement of Net Assets – Cash Basis

The Statement of Net Assets – Cash Basis presents the assets and net assets of the Commission at the end of the fiscal year. The Statement of Net Assets – Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Commission to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Commission's financial position by analyzing the increases and decreases in net assets.

Assets and Net Assets		
	June 30,	
	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash and Cash Equivalents:		
Restricted	\$ 588,750	\$ 509,054
Unrestricted	<u>260,953</u>	<u>250,238</u>
Total Assets	<u>\$ 849,703</u>	<u>\$ 759,292</u>
<b>Net Assets</b>		
Net Assets:		
Restricted	\$ 588,750	\$ 509,054
Unrestricted	<u>260,953</u>	<u>250,238</u>
Total Net Assets	<u>\$ 849,703</u>	<u>\$ 759,292</u>

The largest portion of the Commission's net assets (69%) is the restricted for closure and postclosure care and unspent DNR fees the Commission is allowed to keep. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (31%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due. Restricted net assets increased \$79,696, or 16%, during they year. The increase was due primarily to additional funds set aside for closure and postclosure care costs. Unrestricted net assets increased \$10,715, or 4%, during the year due to increases in gate fees and member contributions.

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

Changes in total net assets as presented on the Statement of Net Assets – Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis. The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating.

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Management's Discussion and Analysis

### Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis (Continued)

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments and capital improvements. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2004 and June 30, 2003 are presented below:

	Changes in Cash Basis Net Assets	
	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
Operating Receipts:		
Tipping Fees and Gate Charges	157,803	158,452
County Contributions	76,475	65,232
City Contributions	94,659	84,414
Miscellaneous	<u>5,241</u>	<u>3,887</u>
Total Operating Receipts	<u>334,178</u>	<u>311,985</u>
Operating Disbursements:		
Salaries and Benefits	80,996	77,750
Solid Waste Contract	80,400	79,600
Engineering Services/Leachate	18,123	25,910
Recycling	45,853	33,355
DNR Tonnage Fee	4,929	5,398
Insurance	7,112	6,720
Building and Equipment Maintenance	2,214	5,578
Official Publications and Notices	625	346
Professional Fees	3,699	3,603
Travel, Education and Training	2,936	2,349
Postage and Telephone	2,290	1,624
Utilities	1,640	1,977
Office Equipment and Supplies	1,145	2,017
Miscellaneous Disbursements	<u>1,333</u>	<u>1,072</u>
Total Operating Disbursements	<u>253,295</u>	<u>247,299</u>
Excess of Operating Receipts Over Operating Disbursements	<u>80,883</u>	<u>64,686</u>
Non-operating Receipts (Disbursements):		
Interest on Investments	18,168	14,908
Capital Improvements	<u>(8,640)</u>	<u>(32,597)</u>
Net Non-operating Receipts (Disbursements)	<u>9,528</u>	<u>(17,689)</u>
Increase in Net Assets - Cash Basis	90,411	46,997
Net Assets Beginning of Year	<u>759,292</u>	<u>712,295</u>
Net Assets End of Year	<u><u>849,703</u></u>	<u><u>759,292</u></u>

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Management's Discussion and Analysis

### Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis (Continued)

In fiscal 2004, operating receipts increased by \$22,193, or 7%. The increase was primarily a result of member contributions increasing by \$21,488. In fiscal 2004, operating disbursements increased by \$5,996, or 2%, from fiscal 2003.

### **ECONOMIC FACTORS**

Audubon County Solid Waste Management Commission 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 Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ 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.
- ◆ As discussed in footnote 13, adoption of more stringent landfill liner requirements may force the Commission to either incur significant costs or face possible closure by the summer of 2006.

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

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Audubon County Solid Waste Management Commission, 1881 215<sup>th</sup> St., Audubon, Iowa.

## BASIC FINANCIAL STATEMENTS

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Net Assets - Cash Basis  
June 30, 2004

ASSETS		
Cash and Cash Equivalents:		
Restricted	588,750	
Unrestricted	<u>260,953</u>	
<u>Total Assets</u>		<u>849,703</u>
NET ASSETS		
Restricted for:		
Closure	197,070	
Postclosure Care	369,366	
Solid Waste Tonnage Fees Retained	<u>22,314</u>	
<u>Total Restricted Net Assets</u>		588,750
Unrestricted		<u>260,953</u>
<u>Total Net Assets</u>		<u>849,703</u>

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

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Operating Fund

Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis  
For the Year Ended June 30, 2004

Operating Receipts:		
Tipping Fees and Gate Charges	157,803	
County Contributions	76,475	
City Contributions	94,659	
Miscellaneous	5,241	
<u>Total Operating Receipts</u>		334,178
Operating Disbursements:		
Salaries and Benefits	80,996	
Solid Waste Contract	80,400	
Engineering Services/Leachate	18,123	
Recycling	45,853	
DNR Tonnage Fee	4,929	
Insurance	7,112	
Building and Equipment Maintenance	2,214	
Official Publications and Notice	625	
Professional Fees	3,699	
Travel, Education, and Training	2,936	
Postage and Telephone	2,290	
Utilities	1,640	
Office Equipment and Supplies	1,145	
Miscellaneous	1,333	
<u>Total Operating Disbursements</u>		<u>253,295</u>
Excess of Operating Receipts Over Operating Disbursements		80,883
Non-operating Receipts (Disbursements)		
Interest on Investments	18,168	
Capital Improvements	(8,640)	
<u>Net Non-operating Receipts</u>		<u>9,528</u>
Change in Cash Basis Net Assets		90,411
Net Assets - Cash Basis Beginning of Year		<u>759,292</u>
<u>Net Assets - Cash Basis End of Year</u>		<u><u>849,703</u></u>

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

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2004

### Note 1 – Summary of Significant Accounting Policies

#### Organization

The Audubon County Solid Waste Management Commission was formed in 1991 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste and recycling facilities in Audubon County on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of seven commissioners. The commissioners are appointed by the participating political subdivisions as follows: one commissioner shall be a resident of the City of Audubon who has five votes; one member shall be a commissioner of the Town of Brayton who has one vote; one commissioner shall be a resident of the City of Exira who has one vote; one commissioner shall be a resident of the City of Gray who has one vote; one commissioner shall be a resident of the City of Kimballton who has one vote; and two commissioners for the unincorporated area of Audubon County, one of whom shall be a member of the Audubon County Board of Supervisors who resides within the rural area and has three votes with the non-Board commissioner having four votes.

#### Reporting Entity

For financial reporting purposes, the Audubon County Solid Waste Management Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial 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 Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

#### Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs 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 periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2004

### Note 1 – Summary of Significant Accounting Policies

#### Basis of Presentation (Continued)

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

#### Basis of Accounting

Audubon County Solid Waste Management Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Commission are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

#### Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets – Cash Basis.

Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets and Net Assets – Funds set aside for payment of closure and postclosure care costs and unspent tonnage fees are classified as restricted.

### Note 2 – Cash and Investments

The Commission's deposits at 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 the depositories to insure there will be no loss of public funds.

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

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements  
June 30, 2004

improvement certificates of a drainage district.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements  
June 30, 2004

Note 2 – Cash and Investments (Continued)

The Commission's deposits at June 30, 2004, are as follows:

Pooled investments held by Audubon County Treasurer	\$ 169,780
Pooled investments held by Audubon County Solid Waste Management Commission	<u>679,923</u>
	<u>\$ 849,703</u>

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Note 3 – Pension and Retirement Benefits

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

Plan members are required to contribute 3.70 percent of their annual salary and the Commission is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$2,761, \$2,765, and \$2,673, respectively, equal to the required contributions for each year.

Note 4 – Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability to employees for earned vacation leave at June 30, 2004 is shown below:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 2,571</u>

This liability has been computed based on rates of pay in effect at July 1, 2004.

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2004

### Note 5 – Closure and Post-closure Care Costs

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

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

These costs for the Audubon County Solid Waste Management Commission as of June 30, 2004 have been estimated at \$188,178 for closure and \$562,654 for postclosure, for a total of \$750,832. The estimated remaining life of the landfill is 19 years, with approximately 13 percent of the landfill's capacity used at 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 care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun to accumulate resources to fund these costs and, at June 30, 2004, assets of \$566,436 are restricted for these purposes, of which \$197,070 is for closure and \$369,366 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets – Cash Basis.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the local government financial test mechanism.

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2004

### Note 5 – Closure and Post-closure Care Costs (Continued)

Chapter 567-111.8(7) of the IAC allows a government to choose the Dedicated Fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

### Note 6 – 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 paragraph three 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 Commission. The remainder of the tonnage fee is remitted to the Department of Natural Resources on a quarterly basis.

The Audubon County Solid Waste Management Commission has reduced its gross tonnage fee by sixty cents to three dollars and sixty-five cents. A fifty cent reduction was achieved by exceeding the Commission's twenty-five percent waste reduction goal and an additional ten cent reduction is granted for exceeding the state wide average.

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. 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. If the Commission achieves the fifty percent waste reduction goal provided in Chapter 455D.3 of the Code of Iowa, 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 Commission's approved comprehensive plan. If the fifty percent waste reduction goal has not been met, seventy 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 Commission'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 Commission to retain an additional twenty-five cents per ton of the tonnage fee. The twenty-five cents per ton of the tonnage fee shall be used for waste reduction, recycling, or small business pollution prevention purposes.

At June 30, 2004, the Commission had \$22,314 on deposit for those fees.

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2004

### Note 7 – Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended June 30, 2004, were \$4,896.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reimbursed on an individual-member basis.

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2004

### Note 7 – Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Commission's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal years.

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

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, employee blanket bond and additional commercial property and inland marine. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 8 – Operator Contract

The Audubon County Solid Waste Management Commission has entered into a three-year operator contract commencing July 1, 2001. Under the contract the contractor is to operate the landfill site in compliance with all applicable law, rules and regulations. The contractor is to furnish all labor, tools, and equipment necessary for operation, except for recycling responsibilities. For these services, the Operator was paid \$6,700 per month during 2003-2004.

# AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2004

### Note 9 – Recyclable Materials Processing Agreement

The Commission entered into a recycling agreement with the Carroll County Solid Waste Management Commission. The Commission has built a Recyclable Material transfer station capable of receiving commingled recyclable materials from private haulers and transferring those materials to an off-site processing facility in Carroll County. The Commission pays the Carroll County Solid Waste Management Commission for marketing the processed recyclable materials and for educating the public on recycling issues. The Commission paid a rate of \$1,865 per month during the year ended June 30, 2004 for the recycled materials..

### Note 10 – Related Party Transactions

The spouse of the landfill operator is an employee of the landfill.

### Note 11 – Leachate Treatment Agreement

During the year the Commission modified its agreement with the City of Audubon for the treatment and disposal of collected leachate. The Commission provides all transportation, pays for required testing, and will pay the City \$6 per 1,000 gallons of leachate disposed.

### Note 12 – Accounting Change

For the year ended June 30, 2004, the Commission 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 standards had no effect on the beginning balances of the Commission.

### Note 13 – Contingencies

The State of Iowa is in the process of revising the Code to parallel federal EPA guidelines imposing strict municipal solid waste landfill liner requirements. The Audubon County landfill is not fully compliant with the EPA standards. The rule revisions could require the Commission to adopt a plan to become compliant or face potential closure in the summer of 2006. The costs to bring the current liner system into compliance has not been determined.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Members of the Audubon County  
Solid Waste Management Commission

We have audited the financial statements of the Audubon County Solid Waste Management Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated October 20, 2004. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 the Audubon County Solid Waste Management Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission'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 Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Audubon County Solid Waste Management Commission'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

OLSEN, MUHLBAUER & CO., L.L.P.  
Certified Public Accountants

October 20, 2004

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings  
Year Ended June 30, 2004

Findings Related to the Financial Statements:

Instances of Noncompliance:

No instances of noncompliance were noted.

Reportable Conditions:

No material weaknesses in internal control over financial reporting were identified.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings  
Year Ended June 30, 2004

Other Findings Related to Statutory Reporting:

- 1) Official Depositories – A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- 2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- 3) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- 4) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 5) Deposits and Investments – No instance of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.
- 6) Solid Waste Tonnage Fees Retainage – During the year ended June 30, 2004, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.
- 7) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	188,178	562,654
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>164,071</u>	<u>322,960</u>
	24,107	239,694
Divided by the number of years remaining in the pay-in period	<u>÷ 4</u>	<u>÷ 4</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	6,027	59,923
Balance of funds held in the local dedicated fund at June 30, 2003	<u>164,071</u>	<u>322,960</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2004	<u>170,098</u>	<u>382,883</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2004	<u>197,070</u>	<u>369,366</u>

The aggregate total of reserved funds exceeds the required balance by \$13,455.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Staff

This audit was performed by:

Patrick J. O'Brien, CPA  
Delynne Kroeger, CPA

OLSEN, MUHLBAUER & CO., L.L.P.  
Certified Public Accountants