

CLINTON COUNTY AREA SOLID WASTE AGENCY
Clinton, Iowa

FINANCIAL STATEMENTS
June 30, 2005

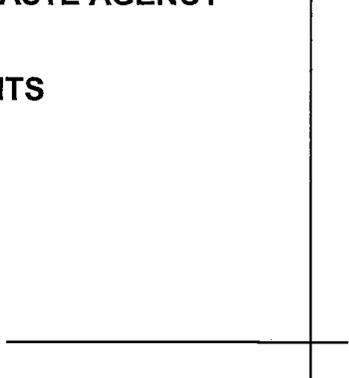


TABLE OF CONTENTS

	PAGE
LIST OF OFFICERS AND MEMBERS	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	9
	Exhibit
Statement of Net Assets	A 10
Statement of Revenues, Expenses and Changes in Net Assets	B 11
Statement of Cash Flows	C 12
Summary of Significant Accounting Policies	14
Notes to Financial Statements.....	16
SUPPLEMENTAL INFORMATION	21
Schedule of Charges for Service.....	22
Schedule of Operating Expenses	23
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	26
Schedule of Findings and Questioned Costs.....	28

**CLINTON COUNTY AREA SOLID WASTE AGENCY
LIST OF OFFICERS AND MEMBERS
June 30, 2005**

OFFICERS

Dave Richards
Doug Goodall
Jon Johnson

Goose Lake, Iowa
Delmar, Iowa
Andover, Iowa

Chairman
Vice-Chairman
Secretary-Treasurer

MEMBERS

Jon Johnson
Lavern Boedeker
Jeff Thompson
Peggy Sellnau
Rodger Holm
Doug Goodall
Verlyn Scheckel
Dave Richards
Ken Mosier
Leslie Schultz
Don Byers
Steve Errico
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 basic financial statements of the Clinton County Area Solid Waste Agency as of and for the year ended June 30, 2005. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 at June 30, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 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 and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 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 Henderson LLP

Clinton, Iowa
August 26, 2005

**CLINTON COUNTY AREA SOLID WASTE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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, 2005. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues increased 12.9%, or \$163,011, from fiscal 2004 to fiscal 2005.
- The Agency's operating expenses were 0.1%, or \$6,398, less in fiscal 2005 than in fiscal 2004.
- The Agency's net assets increased 1.8%, or \$56,840, from June 30, 2004 to June 30, 2005.

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, nonoperating 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, 2005**

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 2005 totaled \$3,138,286. This compares to \$3,081,446 for fiscal 2004. A summary of the Agency's net assets is presented below.

Net Assets	<u>2005</u>	<u>2004</u>
Current assets	\$2,055,481	\$1,866,174
Restricted investments	287,240	191,787
Capital assets (net of accumulated depreciation)	<u>2,154,371</u>	<u>2,176,067</u>
Total assets	<u>4,497,092</u>	<u>4,234,028</u>
Current liabilities	550,741	397,695
Noncurrent liabilities	<u>808,065</u>	<u>754,887</u>
Total liabilities	<u>1,358,806</u>	<u>1,152,582</u>
Net assets		
Invested in capital assets, net of related debt	2,154,371	2,176,067
Restricted for:		
Closure and postclosure costs	287,240	191,787
Unrestricted		
Designated for capital improvements and maintenance	1,494,120	1,461,010
Undesignated	<u>(797,445)</u>	<u>(747,418)</u>
Total net assets	<u>\$3,138,286</u>	<u>\$3,081,446</u>

A portion of the Agency's net assets (9.2%) 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 (68.6%, e.g., land, buildings, and equipment), less the related debt portion of net asset are resources allocated to capital assets. The remaining net assets (22.2 %) are the unrestricted net assets.

**CLINTON COUNTY AREA SOLID WASTE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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 years ended June 30, 2005 and 2004 is presented below.

Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Operating revenues		
Charges for service	\$ 822,318	\$ 704,527
County and city assessments	250,745	250,745
Commodities sold	174,802	155,038
Other operating revenues	<u>182,150</u>	<u>156,694</u>
Total operating revenues	<u>1,430,015</u>	<u>1,267,004</u>
Operating expenses		
Landfill	1,028,902	997,708
Recycling	182,186	208,441
RCC	42,629	62,169
Bio-reactor	<u>182,909</u>	<u>174,706</u>
Total operating expenses	<u>1,436,626</u>	<u>1,443,024</u>
Operating loss	<u>(6,611)</u>	<u>(176,020)</u>
Nonoperating revenues (expenses)		
Finance charges	4,889	2,099
Interest revenue	45,183	45,187
Rental income	14,628	11,758
Rental depreciation	(1,249)	(1,250)
Gain on sale of assets	<u>-</u>	<u>2,750</u>
Net nonoperating revenues (expenses)	<u>63,451</u>	<u>60,544</u>
Change in net assets	56,840	(115,476)
Net assets, beginning of year	<u>3,081,446</u>	<u>3,196,922</u>
Net assets, end of year	<u>\$3,138,286</u>	<u>\$3,081,446</u>

**CLINTON COUNTY AREA SOLID WASTE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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

In fiscal 2005, operating revenues increased by \$163,011, or 12.9%. Operating expenses decreased by \$6,398, or 0.1%.

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 and the purchase of capital assets. Cash provided by investing activities includes finance charges, interest income, and purchases and redemptions of investments.

CAPITAL ASSETS

At June 30, 2005, the Agency had \$2,154,371 invested in capital assets, net of accumulated depreciation of \$2,195,462. Depreciation charges totaled \$225,486 for fiscal 2005. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2005, the Agency had \$808,065 in debt outstanding, an increase of \$53,178 from 2004. The table below summarizes outstanding debt by type.

	<u>2005</u>	<u>2004</u>
Closure and postclosure care costs	\$ 808,065	\$ 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, 2005**

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:

- The past fiscal year has been spent on planning for the future landfill cell that will need to be implemented by fall of 2007. One item that has been needed and will continue to have a need is the Leachate Collection System. Part of the work was started in the fiscal year 2005 and the project was completed in fiscal year 2006. A sewer hook up line will take place in the fiscal year of 2006, to dispose of the leachate to the waste water treatment plant in the City of Clinton. Plans have been designed over the past fiscal year for the landfill cell. The design will be submitted to the Iowa DNR in the upcoming fiscal year, for approval. Once approved, work will begin in the next several fiscal years.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost. This past fiscal year a new computer system, scale and accounting program were put into place. This system will last the agency for many years.
- 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 a new landfill cell will be built by the fall of 2007, 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.
- In the upcoming fiscal year the agency will be closing the Ravine #5 landfill area, that has been considered opened on its financial assurance since the 1980's. This will reduce the current financial assurance cost in half.
- The Agency has faced 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 lost tonnage and revenue with commercial haulers. As it is seen in the financial reports for fiscal year 2005, there is 12.9% increase in revenue. The agency is seeing more customers using our facility. The tonnage amount is still not the same or equal to what is leaving the Clinton County area to other facilities.
- 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 996, Clinton, Iowa 52732.

BASIC FINANCIAL STATEMENTS

CLINTON COUNTY AREA SOLID WASTE AGENCY
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS

Current assets

Cash and cash equivalents	\$ 367,593
Investments	1,494,120
Accounts receivable	157,056
Prepaid insurance	36,712
Total current assets	<u>2,055,481</u>

Noncurrent assets

Restricted investments	287,240
Capital assets (net of accumulated depreciation)	2,154,371
Total noncurrent assets	<u>2,441,611</u>

Total assets\$ 4,497,092**LIABILITIES**

Current liabilities

Accounts payable - trade	177,389
Accrued payroll taxes	2,525
Accrued IPERS	1,888
Accrued other withholdings	1,296
Accrued ground water tax	11,239
Accrued recycling costs	217,370
Accrued closure costs	139,034
Total current liabilities	<u>550,741</u>

Noncurrent liabilities

Landfill closure and postclosure care costs	<u>808,065</u>
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Total liabilities1,358,806**NET ASSETS**

Invested in capital assets, net of related debt	2,154,371
Restricted for:	
Closure and postclosure costs	287,240
Unrestricted	
Designated for capital improvements and maintenance	1,494,120
Undesignated	<u>(797,445)</u>

Total net assets\$ 3,138,286

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, 2005**

EXHIBIT B

OPERATING REVENUES

Landfill

Charges for service	\$ 711,304
Tire handling fee	12,365
Permit fees	3,289
County and city assessments	250,745
Contracted waste	45,332
Salvage	3,405
Miscellaneous	73,748
Total landfill	1,100,188

Recycling

Commodities sold	174,802
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Regional Collection Center (RCC)

Member's expense reimbursement	38,429
CESQG	5,458
Total RCC	43,887

Bio-reactor

Charges for service	111,014
Contracted bio-waste	124
Total bio-reactor	111,138

Total operating revenues	\$ 1,430,015
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OPERATING EXPENSES

1,436,626

OPERATING LOSS

(6,611)

NONOPERATING REVENUES (EXPENSES)

Finance charges	4,889
Interest revenue	
Operations	3,817
Financial assurance	41,366
Rental income	14,628
Rental depreciation	(1,249)
Total nonoperating revenues (expenses)	63,451

CHANGE IN NET ASSETS

56,840

NET ASSETS, BEGINNING OF YEAR

3,081,446

NET ASSETS, END OF YEAR

\$ 3,138,286

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, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,029,832
Cash received from assessments	250,745
Cash received from other operating receipts	73,748
Cash paid to suppliers for goods and services	(842,585)
Cash paid to employees for services	<u>(276,450)</u>

Net cash provided by operating activities \$ 235,290

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Rental income	14,628
Purchase of capital assets	<u>(117,846)</u>

Net cash used in capital and related financing activities (103,218)

CASH FLOWS FROM INVESTING ACTIVITIES

Finance charges	4,889
Interest received	45,183
Investment purchases	(914,886)
Investment redemptions	<u>786,324</u>

Net cash used in investing activities (78,490)

NET INCREASE IN CASH AND CASH EQUIVALENTS 53,582

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 314,011

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 367,593

**CLINTON COUNTY AREA SOLID WASTE AGENCY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2005**

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

Operating loss		\$ (6,611)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	\$ 224,237	
Closure and postclosure care costs	53,178	
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(75,690)	
(Increase) decrease in prepaid insurance	(26,925)	
Increase (decrease) in accounts payable - trade	44,095	
Increase (decrease) in payroll taxes	(864)	
Increase (decrease) in IPERS	(403)	
Increase (decrease) in other withholdings	4	
Increase (decrease) in ground water tax	3,099	
Increase (decrease) in recycling costs	14,341	
Increase (decrease) in closure costs	6,829	
Total adjustments	241,901	241,901
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 235,290

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, 2005**

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, 2005**

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, 2005.

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

**CLINTON COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 1 - CASH AND INVESTMENTS

The Agency's deposits in banks for the year ended June 30, 2005 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, 2005 were as follows:

	<u>Fair Value</u>
Investments	
U.S. Government agency bonds	\$ 594,266
Federal agencies	99,813
Mutual funds - fixed income	460,797
Certificates of deposit	301,182
Money market accounts	38,062
Restricted investments	
Money market accounts	<u>287,240</u>
Total investments	<u>\$1,781,360</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 \$1,200 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 \$14,628 for the year ended June 30, 2005.

CLINTON COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 3 - CAPITAL ASSETS

A summary of capital assets at June 30, 2005 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	\$ 801,780	\$ -	\$ -	\$ 801,780
Construction in progress	<u>-</u>	<u>162,360</u>	<u>-</u>	<u>162,360</u>
Total capital assets, not being depreciated	<u>801,780</u>	<u>162,360</u>	<u>-</u>	<u>964,140</u>
Capital assets being depreciated:				
Development costs	766,362	-	9,393	756,969
Buildings	2,015,661	-	-	2,015,661
Equipment and vehicles	<u>615,877</u>	<u>41,431</u>	<u>44,245</u>	<u>613,063</u>
Total capital assets being depreciated	<u>3,397,900</u>	<u>41,431</u>	<u>53,638</u>	<u>3,385,693</u>
Less accumulated depreciation for:				
Development costs	571,373	21,419	9,393	583,399
Buildings	955,866	169,185	-	1,125,051
Equipment and vehicles	<u>496,374</u>	<u>34,883</u>	<u>44,245</u>	<u>487,012</u>
Total accumulated depreciation	<u>2,023,613</u>	<u>225,487</u>	<u>53,638</u>	<u>2,195,462</u>
Total capital assets being depreciated, net	<u>1,374,287</u>	<u>(184,056)</u>	<u>-</u>	<u>1,190,231</u>
Total capital assets, net	<u>\$2,176,067</u>	<u>\$ (21,696)</u>	<u>\$ -</u>	<u>\$2,154,371</u>

CLINTON COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 \$662,019 for closure and \$408,041 for post closure for a total of \$1,070,060 as of June 30, 2005, and the portion of the liability that has been recognized is \$808,065 at June 30, 2005. This liability represents the cumulative amount reported to date based on the use of approximately 75.51 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, 2005.

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, 2005 was \$287,240 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 \$785,261 letter of credit as of June 30, 2005.

**CLINTON COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

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, 2005, there were not any unspent amounts retained by the Agency and restricted for the required purposes.

NOTE 6 - COMPACTING CONTRACT

The Agency contracts with Brian Gay Construction for compacting in the east landfill site. The current contract with Brian Gay Construction is effective July 1, 2004 through June 30, 2007. It requires monthly payments of \$31,000 for basic operations and \$1.00 per cubic yard for asbestos processing and \$1.00 per ton for petroleum contaminated soil 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, 2005**

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, 2005. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the year ended June 30, 2005 was \$15,572.

NOTE 9 - COMMITTED CONSTRUCTION

At June 30, 2005, the Agency had the following construction projects in process:

<u>Project</u>	<u>Total Contract Amount</u>	<u>Portion at June 30, 2005</u>	
		<u>Completed</u>	<u>Committed</u>
Leachate Collection System	\$ 355,006	\$ 162,360	\$ 192,646

NOTE 10 - SUBSEQUENT EVENTS

On September 5, 2004, the Agency was issued an irrevocable standby letter of credit in the amount of \$785,261 to demonstrate financial assurance for unfunded costs. The letter of credit is secured by limited guarantees of Agency members.

The letter of credit dated September 5, 2004 is expected to be renewed by September 30, 2005.

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, 2005**

Refuse - \$44.00 per ton from July 1, 1994 through June 30, 2005	\$ 608,337	
Asbestos - \$25.00 per cu. yd. from February 1, 1992 through June 30, 2005	69,250	
ADM fly ash and mixed - \$9.00 per ton from January 1, 1995 through June 30, 2005	33,033	
Contaminated soil - \$35.00 per load from July 1, 1994 through June 30, 2005	<u>684</u>	
TOTAL CHARGES FOR SERVICE		<u><u>\$ 711,304</u></u>

**CLINTON COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 2005**

OPERATING EXPENSES

Landfill

Insurance	\$ 83,249
Professional fees	185,004
Agency vehicle	1,180
Conferences and seminars	255
Advertising	1,372
Education expense	1,108
Payroll	120,984
Employee education	70
Clothing allowance	315
Payroll tax	9,072
Employer IPERS	15,572
Contracted compacting and covering charges	372,000
Secretarial services	432
Tire expense	14,676
Machine repairs	8,128
Utilities	1,887
Telephone	2,243
Office expense	12,814
Postage	1,143
Annual audit	6,125
Maintenance	12,143
Ground water remediation	1,250
Ground water tax	48,580
Asbestos compacting	51
Comprehensive planning/closure	1,875
Refuse processing	6
Closure and postclosure care costs	53,178
Contaminated soil processing	3
Supplies	3,387
Office supplies	9,778
Brown goods disposal	2,203
Dues	3,172
Travel expense	448
Trust expense	15,142
Bank charges	34
Employee safety	36
Miscellaneous expense	1,451
Depreciation	<u>38,536</u>

Total landfill

\$ 1,028,902

**CLINTON COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 2005**

OPERATING EXPENSES (continued)

Recycling		
Insurance	\$	15,761
Advertising		69
Payroll		
Operations		94,650
Reimbursements		136
Clothing allowance		416
Payroll tax		7,117
Machine repairs		1,608
Utilities		7,159
Telephone		15
Office expense		125
Maintenance		9,197
Supplies		7,778
Office supplies		90
Dues		110
Employee safety		71
Depreciation		<u>37,884</u>
Total recycling		<u>\$ 182,186</u>
RCC		
Advertising		12
Payroll		
Education coordinator		3,448
Reimbursements		83
Employee education		190
Payroll tax		259
Telephone		547
Supplies		2,798
RCC disposal		25,692
RCC county rebate expense		5,888
Travel		84
Depreciation		<u>3,628</u>
Total RCC		<u>42,629</u>

CLINTON COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 2005

OPERATING EXPENSES (continued)

Bio-reactor		
Insurance	\$	5,254
Payroll		
Operations		22,401
Clothing allowance		91
Payroll taxes		1,684
Machine repairs		1,355
Utilities		7,350
Maintenance		233
Supplies		340
Employee safety		12
Depreciation		<u>144,189</u>
Total bio-reactor		<u>182,909</u>
TOTAL OPERATING EXPENSES		<u><u>\$ 1,436,626</u></u>

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

To the Officers and Members
Clinton County Area Solid Waste Agency

We have audited the accompanying financial statements of the Clinton County Area Solid Waste Agency as of and for the year ended June 30, 2005, and have issued our report thereon date August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion 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 05-I-A.

A material weakness is a reportable 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 caused by error or fraud 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 26, 2005.

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 grant agreements, 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 or other matters 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, 2005 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.

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 26, 2005

**CLINTON COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Part I: Findings Related to the Financial Statements:

05-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:

05-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, 2005.

05-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.

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

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

05-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.

05-II-F Solid Waste Retainage Fees - During the year ended June 30, 2005, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

05-II-G Financial Assurance - The Agency has demonstrated financial assurance for closure and postclosure care costs by maintaining a separate closure and postclosure account to accumulate resources and by establishing a letter of credit as provided in Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care are \$1,070,060. The Agency has a separate account which is included as restricted investments of \$287,240 and a letter of credit has been established in the amount of \$785,261.