



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

David A. Vaudt, CPA  
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**NEWS RELEASE**

FOR RELEASE

February 19, 2008

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Jones County Solid Waste Management Commission.

The Commission had total revenues of \$687,217 for the year ended June 30, 2007, a 5 percent increase over the prior year. Revenues included gate fees of \$490,910 and county and city assessments of \$71,647. The increase in revenues was due to increases in gate receipts and interest income.

Expenses totaled \$785,439 for the year ended June 30, 2007, a 51 percent increase over the prior year. Expenses included \$171,989 for employee salaries and benefits, \$31,668 for engineering services and \$369,117 for closure and postclosure care costs. The significant increase in expenses is due primarily to costs associated with landfill closing in October 2007 and becoming a transfer station. The close was originally scheduled for January 2015.

A copy of the audit report is available for review at the Jones County Solid Waste Management Commission, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**JONES COUNTY SOLID WASTE MANAGEMENT COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2007**

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## Jones County Solid Waste Management Commission

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Stuart Ireland	Chair	City of Wyoming
George Zirkelbach	Vice-Chair	City of Olin
Gerald Muller	Member	City of Monticello
Andy McKean	Member	Jones County
(Vacant)	Member	City of Center Junction
(Vacant)	Member	City of Martelle
(Vacant)	Member	City of Morley
(Vacant)	Member	City of Onslow
Merle Tank	Member	City of Oxford Junction
John Fayrum	Member	Anamosa State Penitentiary
Jon Hatcher	Member	City of Anamosa
Diane Casper	Director	

**Jones County Solid Waste Management Commission**



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Independent Auditor's Report

To the Members of the Jones County  
Solid Waste Management Commission:

We have audited the accompanying basic financial statements of the Jones County Solid Waste Management Commission as of and for the year ended June 30, 2007. 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 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 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 statements presentation. We believe 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 Jones County Solid Waste Management Commission at June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2008 on our consideration of the Jones County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 10 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 on it.

DAVID A. VAUDT, CPA  
Auditor of State

January 24, 2008

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

**Jones County Solid Waste Management Commission**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Jones 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 is for the fiscal year ended June 30 2007. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues decreased .8%, or \$4,822, from fiscal 2006 to fiscal 2007. The decrease is primarily due to a decrease in other operating revenues, due to sale of 12 acres of land in FY06.
- ◆ The Commission's operating expenses were 51.4%, or \$266,519, more in fiscal 2007 than in fiscal 2006. The increase is primarily due to the adjustments for closure and postclosure care costs due to the landfill closing early.
- ◆ The Commission's net assets decreased 4%, or \$98,222, from June 30, 2006 to June 30, 2007.

### USING THIS ANNUAL REPORT

The Jones County Solid Waste Management Commission is a 28E organization 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 the Jones 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 presents information on the Commission'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 Commission 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 Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission'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 Commission's cash and cash equivalents during the year. This information can assist users of the report in determining how the Commission 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.

## FINANCIAL ANALYSIS OF THE COMMISSION

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2007 totaled \$2,334,267. This compares to \$2,432,489 at the end of fiscal 2006. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	2007	2006
<b>Assets</b>		
Current assets:		
Cash	\$ 349,389	144,340
Certificates of deposit	1,417,708	1,494,493
Receivables:		
Accounts	116,462	81,600
Accrued interest	30,654	22,231
Total current assets	<u>1,914,213</u>	<u>1,742,664</u>
Noncurrent assets:		
Cash	4,286	3,599
Certificates of deposit	1,413,103	1,294,389
Capital assets (net of accumulated depreciation)	355,737	379,064
Total noncurrent assets	<u>1,773,126</u>	<u>1,677,052</u>
<b>Total assets</b>	<u>3,687,339</u>	<u>3,419,716</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	12,589	17,390
Compensated absences	6,500	4,971
Total current liabilities	<u>19,089</u>	<u>22,361</u>
Non-current liabilities:		
Estimated liability for landfill closure and postclosure care	1,333,983	964,866
<b>Total liabilities</b>	<u>1,353,072</u>	<u>987,227</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	355,737	379,064
Restricted for:		
Closure and postclosure care	79,120	329,523
Tonnage fees	4,286	3,599
Unrestricted	<u>1,895,124</u>	<u>1,720,303</u>
<b>Total net assets</b>	<u>\$ 2,334,267</u>	<u>2,432,489</u>

The largest portion of the Commission's net assets (81%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due. Restricted net assets (4%) are for closure and postclosure care and for tonnage fees. State and federal laws and regulations require the Commission 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 (15%, e.g., land and equipment) are resources allocated to capital assets.

*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 is for interest income. 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, 2007 and June 30, 2006 is presented below:

	Changes in Net Assets	
	Year Ended June 30,	
	2007	2006
Operating revenues:		
Assessments	\$ 71,647	71,652
Gate fees	490,910	480,786
Other operating revenues	6,096	21,037
Total operating revenues	<u>568,653</u>	<u>573,475</u>
Operating expenses:		
Salaries and benefits	171,989	174,455
Utilities	1,495	1,877
Tonnage fees remitted to Iowa Department of Natural Resources	19,952	18,936
Engineering services	31,668	77,121
Equipment rental, maintenance and repair	29,724	36,200
Insurance	21,024	14,281
Auditing, consulting and legal	13,574	15,259
Road rock	12,938	17,780
Fuel	11,434	12,607
Tire disposal	17,568	13,149
Leachate hauling and treatment	15,141	11,478
Depreciation	23,327	23,327
Office supplies and operations	3,866	2,425
Travel and training	2,564	3,007
Household hazardous waste disposal	6,983	6,577
Recycling	19,646	21,061
White goods disposal	11,904	16,613
Closure and postclosure care	369,117	51,007
Miscellaneous	1,525	1,760
Total operating expenses	<u>785,439</u>	<u>518,920</u>
Operating income (loss)	(216,786)	54,555
Non-operating revenues:		
Interest income	118,564	83,204
Change in net assets	(98,222)	137,759
Net assets beginning of year	<u>2,432,489</u>	<u>2,294,730</u>
Net assets end of year	<u>\$ 2,334,267</u>	<u>2,432,489</u>

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

In fiscal 2007, operating revenues decreased by \$4,822, or .8%, primarily a result of other operating revenues decreasing by \$14,941 due to the sale of 12 acres of land in FY06.

Operating expenses increased by \$266,519, or 51.4%. The increase was primarily due to the adjustments for closure and postclosure care associated with closing the landfill early.

#### *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 gate fees and assessments reduced by payments to employees and to suppliers. Cash used by investing activities includes the purchase of certificates of deposits and interest income.

### **CAPITAL ASSETS**

At June 30, 2007, the Commission had \$355,737 invested in capital assets, net of accumulated depreciation of \$272,134. Depreciation charges totaled \$23,327 for fiscal 2007. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

### **LONG-TERM DEBT**

At June 30, 2007, the Commission had no long-term debt outstanding.

### **ECONOMIC FACTORS**

The Jones 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 at the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ The Commission will be required to stop burying solid waste on site beginning October 1, 2007. The Commission constructed a transfer station. Operating expenses changed tremendously for fiscal year 2008.
- ◆ Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates.

### **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 the Jones County Solid Waste Management Commission, P.O. Box 235, Anamosa, Iowa 52205.

## **Basic Financial Statements**

**Exhibit A**

## Jones County Solid Waste Management Commission

## Statement of Net Assets

June 30, 2007

**Assets**

## Current assets:

Cash	\$ 349,389
Certificates of deposit	1,417,708
Receivables:	
Accounts	116,462
Interest	30,654
Total current assets	<u>1,914,213</u>

## Noncurrent assets:

Restricted cash	4,286
Restricted certificates of deposit	1,413,103
Capital assets, nondepreciable	195,000
Capital assets, depreciable (net of accumulated depreciation)	160,737
Total noncurrent assets	<u>1,773,126</u>

**Total assets**3,687,339**Liabilities**

## Current liabilities:

Accounts payable	12,589
Compensated absences payable	6,500
Total current liabilities	<u>19,089</u>

## Non-current liabilities:

Estimated liability for landfill closure and postclosure care	<u>1,333,983</u>
---------------------------------------------------------------	------------------

**Total liabilities**1,353,072**Net assets**

Invested in capital assets	355,737
Restricted for:	
Closure and postclosure care	79,120
Tonnage fees	4,286
Unrestricted	<u>1,895,124</u>

**Total net assets**\$ 2,334,267

See notes to financial statements.

Jones County Solid Waste Management Commission

Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2007

Operating revenues:	
Assessments	\$ 71,647
Gate fees	490,910
Other operating revenues	6,096
Total operating revenues	<u>568,653</u>
Operating expenses:	
Salaries and benefits	171,989
Utilities	1,495
Tonnage fees remitted to Iowa Department of Natural Resources	19,952
Engineering services	31,668
Equipment rental, maintenance and repair	29,724
Insurance	21,024
Auditing, consulting and legal	13,574
Road rock	12,938
Fuel	11,434
Tire disposal	17,568
Leachate hauling and treatment	15,141
Depreciation	23,327
Office supplies and operations	3,866
Travel and training	2,564
Household hazardous waste disposal	6,983
Recycling	19,646
White goods disposal	11,904
Closure and postclosure care	369,117
Miscellaneous	1,525
Total operating expenses	<u>785,439</u>
Operating loss	(216,786)
Non-operating revenues:	
Interest income	<u>118,564</u>
Change in net assets	(98,222)
Net assets beginning of year	<u>2,432,489</u>
Net assets end of year	<u>\$ 2,334,267</u>

See notes to financial statements.

**Exhibit C**

## Jones County Solid Waste Management Commission

## Statement of Cash Flows

Year ended June 30, 2007

Cash flows from operating activities:	
Cash received from assessments	\$ 71,647
Cash received from gate fees	456,048
Cash paid to suppliers for goods and services	(216,925)
Cash paid to employees for services	(179,342)
Other operating receipts	6,096
Net cash provided by operating activities	<u>137,524</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(42,310)
Interest received	110,141
Net cash used for investing activities	<u>67,831</u>
Net decrease in cash and cash equivalents	205,355
Cash and cash equivalents beginning of year	<u>265,705</u>
Cash and cash equivalents end of year	<u>\$ 471,060</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	<u>\$ (216,786)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	23,327
Closure and postclosure care	369,117
Changes in assets and liabilities:	
Increase in accounts receivable	(34,862)
Decrease in accounts payable	(4,801)
Increase in compensated absences payable	1,529
Total adjustments	<u>354,310</u>
Net cash provided by operating activities	<u>\$ 137,524</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b>	
Current assets:	
Cash	\$ 349,389
Certificates of deposit	1,417,708
Restricted assets:	
Cash	4,286
Certificates of deposit	1,413,103
	<u>3,184,486</u>
Less items not meeting the definition of cash equivalents:	
Certificates of deposit	<u>(2,713,426)</u>
Cash and cash equivalents end of year	<u>\$ 471,060</u>

See notes to financial statements.

Jones County Solid Waste Management Commission

Notes to Financial Statements

June 30, 2007

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

The Jones County Solid Waste Management Commission was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate and maintain solid waste facilities in Jones County for use by all residents of the County.

The governing body of the Commission is composed of one representative from each of the nine member cities, the Anamosa State Penitentiary and Jones County. The member cities are Anamosa, Center Junction, Olin, Oxford Junction, Martelle, Monticello, Morley, Onslow and Wyoming. The Commissioners are appointed by the participating political subdivisions and each member has one vote for each one thousand population, or fraction thereof, residing in the governmental jurisdiction represented.

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

A. Reporting Entity

For financial reporting purposes, the Jones 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 Jones County Solid Waste Management Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

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

C. 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.

The Commission 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.

D. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and 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. Cash investments not meeting the definition of cash equivalents at June 30, 2007 include certificates of deposit of \$2,713,426.

Restricted Investments – Funds set aside for payment of closure and postclosure care are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair 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.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 25,000
Equipment	5,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Equipment	3-20

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred 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, 2007.

**(2) Cash and Investments**

The Commission's deposits in banks at June 30, 2007 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 Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(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 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 Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$5,441, \$5,657 and \$5,268, respectively, equal to the required contributions for each year.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 195,000	-	-	195,000
Capital assets being depreciated:				
Equipment	432,871		-	432,871
Less accumulated depreciation for:				
Equipment	248,807	23,327	-	272,134
Total capital assets being depreciated, net	184,064	(23,327)	-	160,737
Total capital assets, net	\$ 379,064	(23,327)	-	355,737

**(5) Closure and Postclosure Care Costs**

To comply with federal and state regulations, the Commission 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 cost consists 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.

These costs for the Jones County Solid Waste Management Commission have been estimated at \$156,337 for closure and \$1,223,645 for postclosure care, for a total of \$1,379,982 as of June 30, 2007, and the portion of the liability that has been recognized is \$1,333,983. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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 accumulating resources to fund these costs and, at June 30, 2007, assets of \$1,413,103 are restricted for these purposes. They are reported as restricted certificates of deposit on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC) the Commission has demonstrated financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism.

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.

**(6) Solid Waste Tonnage Fees Retained**

The Commission has established two accounts for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2007, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$4,286.

**(7) Risk Management**

The Commission 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 Commission assumes liability for any deductibles and claims in excess of coverage limitations.

**(8) Subsequent Event**

The Jones County Solid Waste Management Commission plans to close all existing cells by October 1, 2007 in order to comply with minimum liner standards established by the Environmental Protection Agency and adopted by the Iowa Department of Natural Resources. The Commission plans to become a transfer station at the close of the cells. After June 30, 2007, the Commission constructed a building for the transfer station and for hauling and disposal services.

**Jones County Solid Waste Management Commission**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Members of the Jones County  
Solid Waste Management Commission:

We have audited the accompanying financial statements of the Jones County Solid Waste Management Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated January 24, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jones County Solid Waste Management Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Jones County Solid Waste Management Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jones County Solid Waste Management Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Jones County Solid Waste Management Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Jones County Solid Waste Management Commission's financial statements that is more than inconsequential will not be prevented or detected by the Jones County Solid Waste Management Commission's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Jones County Solid Waste Management Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jones 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, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2007 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.

Jones County Solid Waste Management Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Jones County Solid Waste Management Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Jones 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 Jones 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 24, 2008

Jones County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCY:**

- (A) Segregation of Duties—During our review of the internal control activities, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Commission's financial statements. Generally, one individual has control over receipts, including account billing, collecting, depositing, posting and reconciling, and bank reconciliations without compensating controls.

Recommendation—We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response — We will review our operating procedures to provide more checks and balances in our internal control.

Conclusion—Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Jones County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2007

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

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted, except as follows:

The interest rate on certain time certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Commission.

Recommendation – The Commission should seek reimbursement of the additional interest due on these certificates of deposit. In addition, the Commission should be aware of the current allowable rates to insure at least the minimum allowable rate is received on all investments.

Response – We will seek reimbursement of additional interest due on these certificates of deposit. We will insure at least the minimum allowable rate is received for all investments.

Conclusion – Response accepted.

- (5) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2007, the Commission used or retained the solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (6) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	<u>\$ 1,379,982</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2007	<u>\$ 1,413,103</u>

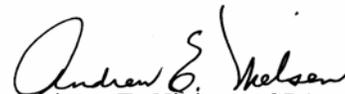
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Jones County Solid Waste Management Commission

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Shawn R. Elsbury, Staff Auditor

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State