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

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE March 17, 2011

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 $708,579 for the year ended June 30, 2010, a 1.5% decrease from the prior year. Revenues included gate fees of $546,245, county and city assessments of $91,822 and interest income of $64,195. The decrease in revenues was primarily due to a decrease in investment income.

Expenses totaled $675,652 for the year ended June 30, 2010, a 3.2% increase from the prior year. Expenses included $157,403 for employee salaries and benefits, $420,542 for solid waste hauling and treatment and $40,614 for depreciation.

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/1014-2323-B00F.pdf.

# # #

JONES COUNTY SOLID WASTE MANAGEMENT COMMISSION

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

JUNE 30, 2010

Table of Contents

Jones County Solid Waste Management Commission

Officials

Name	Title	Representing
Merle Tank	Chair	City of Oxford Junction
George Zirkelbach	Vice-Chair	City of Olin
Gerald Muller	Member	City of Monticello
Andy McKean	Member	Jones County
Bob Gravel	Member	City of Center Junction
Rod Gravel	Member	City of Wyoming
John Fayrum	Member	Anamosa State Penitentiary
Dale Barnes	Member	City of Anamosa
(Vacant)	Member	City of Martelle
(Vacant)	Member	City of Morley
(Vacant)	Member	City of Onslow
Diane Casper	Director	

Jones County Solid Waste Management Commission

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

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, 2010. 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 financial statement 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, 2010, 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 February 23, 2011 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 required supplementary information. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 23, 2011

Jones County Solid Waste Management Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ♦ The Commission's operating revenues increased 0.2%, or $1,175, from fiscal year 2009 to fiscal year 2010. The increase is primarily due to an increase in gate fees.
- ♦ The Commission's operating expenses increased 3.2%, or $21,163, from fiscal year 2009 to fiscal year 2010. This is primarily due to a smaller adjustment to the estimated liability for landfill closure and postclosure care.
- ♦ The Commission's net assets increased 1.4%, or $32,927, from June 30, 2009 to June 30, 2010.

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 readers 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 year 2010 totaled approximately $2.35 million. This compares to approximately $2.31 million at the end of fiscal year 2009. A summary of the Commission's net assets is presented below.

Net Assets	June 30, 2010	June 30, 2009
Current assets	$ 1,315,585	1,280,100
Restricted investments	1,372,438	1,406,595
Capital assets at cost, less accumulated depreciation	761,130	801,744
Total assets	3,449,153	3,488,439
Current liabilities	74,574	57,831
Noncurrent liabilities	1,027,494	1,116,450
Total liabilities	1,102,068	1,174,281
Net assets:		
Invested in capital assets	761,130	801,744
Restricted	344,944	290,145
Unrestricted	1,241,011	1,222,269
Total net assets	$ 2,347,085	2,314,158

The unrestricted portion of the Commission's net assets (52.9%) may be used to meet the Commission's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment) (32.4%), are resources allocated to capital assets. The remaining net assets are restricted for closure and postclosure care. 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.

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, 2010 and June 30, 2009 is presented below:

Changes in Net Assets		
	Year Ended June 30,	
	2010	2009
Operating revenues:		
Assessments	$ 91,822	91,799
Gate fees	546,245	541,494
Other operating revenues	6,317	9,916
Total operating revenues	644,384	643,209
Operating expenses:		
Salaries and benefits	157,403	148,315
Utilities	4,563	4,049
Engineering	10,242	19,709
Equipment rental, maintenance and repair	16,217	22,659
Insurance	11,814	16,561
Auditing, consulting and legal	16,178	14,576
Road rock	1,309	3,267
Fuel	6,102	4,098
Tire disposal	10,569	6,331
Leachate hauling and treatment	23,481	16,312
Solid waste hauling and treatment	420,542	442,480
Depreciation	40,614	40,615
Transfer station	8,635	6,980
Office supplies and operations	3,800	4,231
Travel and training	474	3,146
Household hazardous waste disposal	-	8,601
Recycling	7,393	949
White goods disposal	6,349	4,830
Closure and postclosure care	(71,614)	(113,909)
Miscellaneous	1,581	689
Total operating expenses	675,652	654,489
Operating loss	(31,268)	(11,280)
Non-operating revenues:		
Interest income	64,195	76,033
Change in net assets	32,927	64,753
Net assets beginning of year	2,314,158	2,249,405
Net assets end of year	$ 2,347,085	2,314,158

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

In fiscal year 2010, operating revenues increased $1,175, or 0.2%, primarily a result of gate fee revenues increasing. Operating expenses increased $21,163, or 3.2%. This is primarily due to a smaller adjustment to the estimated liability for landfill closure and postclosure care. Landfill tonnage fees to the Iowa Department of Natural Resources do not apply to transfer stations.

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 provided by investing activities includes the sale of investments, purchase of investments and interest income.

CAPITAL ASSETS

At June 30, 2010, the Commission had $761,130 invested in capital assets, net of accumulated depreciation of $393,252. Depreciation charges totaled $40,614 for fiscal year 2010. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2010, 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 and equipment 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.
- 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, 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

Jones County Solid Waste Management Commission

Statement of Net Assets

June 30, 2010

Assets	
Current assets:	
Cash	$ 135,699
Certificates of deposit	1,076,347
Receivables:	
Accounts	59,241
Accrued interest	13,475
Due from other governments	14,460
Prepaid items	16,363
Total current assets	1,315,585
Noncurrent assets:	
Restricted certificates of deposit	1,372,438
Capital assets, nondepreciable	219,110
Capital assets, depreciable (net of accumulated depreciation)	542,020
Total noncurrent assets	2,133,568
Total assets	3,449,153
Liabilities	
Current liabilities:	
Accounts payable	61,747
Salaries and benefits payable	3,749
Due to other governments	6,290
Compensated absences payable	2,788
Total current liabilities	74,574
Non-current liabilities:	
Estimated liability for landfill closure and postclosure care	1,027,494
Total liabilities	1,102,068
Net assets	
Invested in capital assets	761,130
Restricted for closure and postclosure care	344,944
Unrestricted	1,241,011
Total net assets	$ 2,347,085

See notes to financial statements.

Jones County Solid Waste Management Commission

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2010

Operating revenues:	
Assessments	$ 91,822
Gate fees	546,245
Other operating revenues	6,317
Total operating revenues	644,384
Operating expenses:	
Salaries and benefits	157,403
Utilities	4,563
Engineering	10,242
Equipment rental, maintenance and repair	16,217
Insurance	11,814
Auditing, consulting and legal	16,178
Road rock	1,309
Fuel	6,102
Tire disposal	10,569
Leachate hauling and treatment	23,481
Solid waste hauling and disposal	420,542
Depreciation	40,614
Transfer station	8,635
Office supplies and operations	3,800
Travel and training	474
Recycling	7,393
White goods disposal	6,349
Closure and postclosure care	(71,614)
Miscellaneous	1,581
Total operating expenses	675,652
Operating loss	(31,268)
Non-operating revenues:	
Interest income	64,195
Change in net assets	32,927
Net assets beginning of year	2,314,158
Net assets end of year	$ 2,347,085

See notes to financial statements.

Jones County Solid Waste Management Commission

Statement of Cash Flows

Year ended June 30, 2010

Cash flows from operating activities:	
Cash received from assessments	$ 91,822
Cash received from gate fees	534,703
Cash paid to suppliers for goods and services	(569,086)
Cash paid to employees for services	(154,528)
Other operating receipts	6,317
Net cash used for operating activities	(90,772)
Cash flows from investing activities:	
Sale of investments	695,005
Purchase of investment	(621,695)
Interest received	305
Net cash provided by investing activities	73,615
Net decrease in cash and cash equivalents	(17,157)
Cash and cash equivalents beginning of year	152,856
Cash and cash equivalents end of year	$ 135,699
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (31,268)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	40,614
Closure and postclosure care	(88,956)
Changes in assets and liabilities:	
Decrease in accounts receivable	2,918
(Increase) in due from other governments	(14,460)
(Increase) in prepaid items	(16,363)
Increase in accounts payable	7,878
Increase in salaries and benefits payable	3,749
Increase in due to other governments	6,290
(Decrease) in compensated absences payable	(1,174)
Total adjustments	(59,504)
Net cash used for operating activities	$ (90,772)

See notes to financial statements.

(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 Jones County Solid Waste Management 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 (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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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.

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

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, 2010 include certificates of deposit of $2,448,785.

Restricted Certificates of Deposit – 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.

Asset Class	Amount
Land	$ 25,000
Building	25,000
Equipment	5,000

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

Asset Class	Estimated Useful lives (In Years)
Building	35
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, 2010.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2010.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2010 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 4.30% of their annual covered salary and the Commission is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were $6,848, $6,186 and $6,130, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 219,110	-	-	219,110
Capital assets being depreciated:				
Equipment	509,871	-	-	509,871
Building	425,401	-	-	425,401
Total capital assets being depreciated	935,272	-	-	935,272
Less accumulated depreciation for:				
Equipment	329,054	28,460	-	357,514
Building	23,584	12,154	-	35,738
Total accumulated depreciation	352,638	40,614	-	393,252
Total capital assets being depreciated, net	582,634	(40,614)	-	542,020
Total capital assets, net	801,744	(40,614)	-	761,130

(5) Closure and Postclosure Care Costs

Landfill

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, 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 Commission have been estimated at $1,012,485 for closure as of June 30, 2010, and the portion of the liability that has been recognized is $1,012,485. During the year ended June 30, 2009, the Commissiion stopped accepting waste at the landfill and began transferring waste to Milan, Illinois.

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, 2010, assets of $1,356,228 are restricted for these purposes. They are reported as restricted certificates of deposit in the Statement of Net Assets.

Also, Chapter 567-113.14 of the Iowa Administrative Code requires entities to demonstrate financial assurance for underfunded closure and postclosure care costs. Since the Commission's closure and postclosure care costs are fully funded at June 30, 2010, the Commission is not required to demonstrate financial assurance.

Transfer Station

To comply with state regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Commission is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit the owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure costs for the Commission transfer station have been estimated at $15,009 as of June 30, 2010 and the portion of the liability that has been recognized is $15,009. The Commission has funded $15,009 at June 30, 2010. The Commission has begun accumulating resources to fund these costs and, at June 30, 2010, assets of $16,210 are restricted for these purposes. They are reported as restricted certificates of deposit in the Statement of Net Assets.

(6) 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.

Jones County Solid Waste Management Commission

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

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, 2010, and have issued our report thereon dated February 23, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Jones County Solid Waste Management Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Jones County Solid Waste Management Commission's internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as item (C) through (F) to be significant deficiencies.

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 which 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, 2010 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.

The 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

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 23, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – During our review of internal control, 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. In addition, one individual has control over the recording, reconciling and custody of investments.

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 have increased our checks and balances in our internal control involving receipts, accounts payable, payroll and investments.

Conclusion – Response accepted.

(B) Reconciliation of Billings, Collections and Delinquencies – Billings, collections and delinquent accounts were not reconciled each month.

Recommendation – Procedures should be established to reconcile customer billings, collections and delinquencies monthly. The Commission should review the reconciliation, monitor delinquencies and approve write-offs of uncollectible accounts.

Response – We will continue to have an accounts receivable listing provided to the Commission on a monthly basis. We will reconcile accounts receivable monthly.

Conclusion – Response acknowledged. The Commission should also approve any write offs of uncollectible accounts.

(C) Disbursements – Two disbursements were not properly approved prior to payment and one disbursement was not properly documented.

Recommendation – The Commission should approve disbursements prior to payment. Any disbursements to be paid prior to Commission meetings should be signed or initialed by the approving Commission member to indicate approval. All vouchers should be supported by original invoices or other supporting documents

Response – The Commission will continue to have prior approval for all disbursement payments. We will continue to have vouchers supported by original invoices or other supporting documents.

Conclusion – Response accepted.

(D) Payroll – The following was noted during review of payroll:

- Timecards were not prepared by all Commission employees.
- Time stamps were not always used for all time cards. Start and end times were hand-written on numerous timecards.
- A detailed record of sick leave used by each employee is not maintained.
- For one timecard tested, the compensated time credited to the employee did not reflect the hours earned per the Commission's policy.

Recommendation – Timecards should be prepared for all Commission employees and should be approved by an independent person. The Commission should develop written policies regarding the use of time stamps on time cards. The Commission should track sick leave used for each employee. The Commission should ensure compensated time earned by employees agrees with the Commission's policy.

Response – Beginning on June 1, 2010, all employees began preparing timecards and timecards are approved by an independent person, who also tracks sick leave and comp time. We will develop a written policy regarding the use of time stamps on timecards.

Conclusion – Response accepted.

(E) Paid Time Off/Compensated Absences – The Commission does not have a formal written policy regarding termination of employment payments.

Recommendation – The Commission should develop a formal written policy regarding termination of employment payments.

Response – The Commission will develop a formal written policy regarding termination of employment payments.

Conclusion – Response accepted.

(F) Related Party Note Receivable – The Commission conducts business with Edwards Sanitation, an entity owned by an employee of the Commission. Edwards Sanitation collects solid waste in the City of Anamosa and other areas and hauls it to the transfer station. The Commission's customary practice is to accept the solid waste and bill the haulers for it. In January 2009, the Commission and Edwards Sanitation entered into a promissory note for past due receivables of $16,322. The promissory note required monthly payments of $7,500, with the payments to first be applied to the hauling fees incurred during the month, then to interest and finally to outstanding principal. At June 30, 2010, Edwards Sanitation had an outstanding balance of $22,176.70. Of the $22,176.70, $11,687.52 pertained to the outstanding promissory note. The remaining $10,489.18 was interest and activity incurred during fiscal year 2010. As of December 1, 2009, Edwards Sanitation is required to make payment for all loads taken to the landfill when the load is taken it.

The promissory note required an interest rate of 5% annually to be charged on the remaining note. If payments were not made timely, the interest rate would be increased to 10% annually. Any additional outstanding gate charges incurred after the inception of the promissory note should have been charged 1.5% monthly, or 18% annually. However, the Commission only charged the additional outstanding gate charges at a rate of either 5% or 10% annually and did not charge interest in accordance with the Commission's credit policy.

Recommendation – The Commission should consult legal counsel to enforce the terms of the promissory note to collect the outstanding balance. In addition, the Commission should charge the correct interest as outlined in the both the promissory note and the Commission's credit policy.

Response – The Commission will continue to monitor the outstanding balance monthly and determine if legal remedies are needed. We will continue to charge the 10% annual interest as stated in the promissory note.

Conclusion – Response acknowledged. The Commission should ensure interest on the outstanding balance is applied according to the Commission's credit policy and the terms of the promissory note.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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 – During our review, we identified certain automated clearing house payments which should have been approved in the Commission minutes but were not. In addition, prior to the March 2, 2010 Commission meeting, minutes were not published in an approved newspaper, as required by the Code of Iowa.

Recommendation – All disbursements should be approved in the minutes. In addition, minutes should be published in accordance with the Code of Iowa.

Response – The Commission will continue to approve all disbursements in the minutes. We will also continue to publish our minutes as required by the Code of Iowa.

Conclusion – Response accepted.

(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 and the Commission's investment policy were noted.

(5) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	$ 1,027,494
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2010	$ 1,372,438

Jones County Solid Waste Management Commission

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
James R. Wittenwyler, Staff Auditor
Aaron P. Wagner, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State