



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

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NEWS RELEASE

FOR RELEASE March 28, 2003

Contact: Andy Nielsen
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The Office of Auditor of State today released an audit report on the Delaware County Solid Waste Disposal Commission.

The Commission had total receipts of \$132,713 during the year ended June 30, 2002, which included \$47,022 from city and county assessments and \$76,038 from interest on investments. The Commission had total receipts of \$435,525 during the year ended June 30, 2001, which included \$71,175 from city and county assessments, \$283,449 from gate fees and \$77,715 from interest on investments.

Disbursements totaled \$95,015 for the year ended June 30, 2002, which included \$6,268 for salaries and benefits and \$30,833 for the waste tire project. Disbursements totaled \$173,113 for the year ended June 30, 2001, which included \$2,300 for salaries and benefits and \$106,750 for landfill operating fees.

The significant decrease in receipts and disbursements is due primarily to the closing of the landfill on December 31, 2000. The Commission now operates a transfer station and private haulers take waste to the Dubuque Metropolitan Area Solid Waste Agency for disposal.

A copy of the audit report is available for review in the office of the Auditor of State and the Delaware County Assessor's office.

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DELAWARE COUNTY SOLID WASTE DISPOSAL COMMISSION

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SCHEDULE OF FINDINGS**

JUNE 30, 2002 AND 2001

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Delaware County Solid Waste Disposal Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Jim Schmitz	Chairperson	City of Greeley
Roy Atkinson	Vice Chairperson	City of Delhi
John (Jack) Klaus	Secretary/Treasurer	
Bill Skinner	Member	Delaware County
Bob Nefzger	Member	City of Delaware
D. J. Hucker	Member	City of Hopkinton
John Curran	Member	City of Manchester
Neil Sherman	Member	City of Edgewood
Ed Gibbs	Member	City of Dundee
Jack Resor	Member	City of Masonville
Gary Carradus	Member	City of Strawberry Point
Shirley Helmrichs	Member	Delaware County
Richard Sampson	Member	City of Colesburg
Dan Wheeler	Member	City of Earlville
Mike Woods	Member	City of Ryan
Steve Koeneke	Member	Delaware County

Delaware County Solid Waste Disposal Commission



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Independent Auditor's Report

To the Members of the Delaware County
Solid Waste Disposal Commission:

We have audited the statement of cash transactions of the Delaware County Solid Waste Disposal Commission for the years ended June 30, 2002 and 2001. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this financial statement based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the aforementioned statement of cash transactions presents fairly, in all material respects, the results of the cash transactions of the Delaware County Solid Waste Disposal Commission for the years ended June 30, 2002 and 2001, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2003 on our consideration of the Delaware County Solid Waste Disposal Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

March 11, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Delaware County Solid Waste Disposal Commission

Financial Statement

Exhibit A

Delaware County Solid Waste Disposal Commission

Statement of Cash Transactions

Years ended June 30, 2002 and 2001

	2002	2001
Receipts:		
Landfill gate fees	\$ -	283,449
County assessments	24,547	36,820
City assessments	22,475	34,355
Composting grant	5,524	1,594
Retailer grant	-	992
Interest on investments	76,038	77,715
Refunds	2,433	-
Miscellaneous	1,696	600
Total receipts	<u>132,713</u>	<u>435,525</u>
Disbursements:		
Salaries and benefits reimbursements to Delaware County for secretarial services	6,268	2,300
Landfill operating fees	-	106,750
Engineering fees	10,670	14,767
Tonnage fees	-	24,588
Insurance	19,370	8,922
Supplies	228	463
Audit and legal fees	2,623	2,425
Travel and training	156	142
Grant writing fees	2,500	2,552
Waste tire project	30,833	-
Composting project	12,754	3,933
Retail consumer project	-	1,057
Trucking fees	-	400
Toxic cleanup day program	8,952	3,304
Miscellaneous	661	1,510
Total disbursements	<u>95,015</u>	<u>173,113</u>
Excess of receipts over disbursements	37,698	262,412
Balance beginning of year	<u>1,660,610</u>	<u>1,398,198</u>
Balance end of year	<u>\$ 1,698,308</u>	<u>1,660,610</u>

See notes to financial statement.

Delaware County Solid Waste Disposal Commission

Notes to Financial Statement

June 30, 2002 and 2001

(1) Summary of Significant Accounting Policies

The Delaware County Solid Waste Disposal Commission was formed in 1989 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Commission is a joint sanitary waste disposal project for all persons and property within the boundaries of the political subdivisions represented.

The Commission is composed of one representative from participating cities, and three representatives from Delaware County. The representative of a City shall be a member of the City Council of that City, appointed and certified to the Commission by the Mayor with the approval of the Council; and the representatives of the County shall be the members of the Board of Supervisors.

The member cities are: Manchester, Dundee, Masonville, Ryan, Earlville, Edgewood, Greeley, Colesburg, Hopkinton, Delhi, Delaware and Strawberry Point.

The landfill operated by the Commission stopped accepting waste on December 31, 2000. The Commission now operates a transfer station and private haulers transport the waste to the Dubuque Metropolitan Area Solid Waste Agency for disposal.

A. Reporting Entity

For financial reporting purposes, the Delaware County Solid Waste Disposal 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 statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Fund Accounting

The accounts of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The Commission utilizes an Enterprise Fund, which is the general operating fund of the Commission.

C. Basis of Accounting

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

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

The Commission had investments in Scudder Retirement Service VII Fund which are valued at an amortized cost of \$103,094 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Solid Waste Tonnage Fees Retained

The Commission has established two bank accounts for restricting and using those portions of solid waste tonnage fees bank retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure cost 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 Commission's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities. An updated comprehensive plan was approved by the Iowa Department of Natural Resources allowing the Commission 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.

At June 30, 2002, the amounts retained by the Commission and restricted for the required specific purposes totaled \$13,502.

(4) Salary Reimbursements to Delaware County

Delaware County processes the payroll for the employees of the Delaware County Solid Waste Disposal Commission. The Delaware County Solid Waste Disposal Commission then reimburses the County for the wages and benefits paid through the County's payroll system. During the year ended June 30, 2002, the Commission reimbursed \$6,268 to Delaware County for wages and benefits paid through the County's payroll system.

(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 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 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 care, (2) the cost of final cover (material and labor), (3) the cost of monitoring and landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost would be based on the cost to purchase those services and equipment currently and would be required to be updated annually for changes to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Delaware County Solid Waste Disposal Commission have been estimated to be \$537,330. This amount is based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2002. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

In anticipation of state regulations requiring municipal solid waste landfills to demonstrate financial responsibility for the costs of closure and postclosure care, the Commission has restricted \$489,657 in certificates of deposit and \$103,094 in a Scudder Retirement Series VII Fund as of June 30, 2002 for such purpose.

(6) Risk Management

Delaware County Solid Waste Disposal 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.

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



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

To the Members of the Delaware County
Solid Waste Disposal Commission

We have audited the financial statement of the Delaware County Solid Waste Disposal Commission as of and for the year ended June 30, 2002, and have issued our report thereon dated March 11, 2003. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Delaware County Solid Waste Disposal Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Delaware County Solid Waste Disposal Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware County Solid Waste Disposal Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a 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 Delaware County Solid Waste Disposal Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement 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 that the reportable condition (A) described above is a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the members and customers of the Delaware County Solid Waste Disposal 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 Delaware County Solid Waste Disposal 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.

March 11, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Delaware County Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2002

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - During our review of internal control, the existing control activities are evaluated in order to determine that 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 statement. Generally, one individual has control over the check writing, signing and mailing functions for which no compensating controls exist.

Recommendation - We realize that with a limited number of employees, segregation of duties is difficult. However, control 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. Specifically, checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.

Response - The Commission is aware of this situation as we have discussed it several times in the past. We acknowledge the problem, but have no plans to change anything due to the limited number of employees.

Conclusion - Response acknowledged. The Commission should implement procedures to strengthen its internal controls. The Commission could segregate duties to the extent possible with existing personnel and also involve administrative personnel in the review of bank reconciliations and counter signature responsibilities.

Delaware County Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2002

Other Findings Related to Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposits and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.
- (6) Solid Waste Fees Retainage - During the year ended June 30, 2002, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(3)(4) of the Code of Iowa.
- (7) Financial Assurance - The Commission has chosen to designate a portion of its balance to demonstrate financial assurance for closure and postclosure care costs as provided in Chapter 111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	<u>\$ 537,330</u>
Amount Commission has restricted and reserved for closure and postclosure care	<u>\$ 592,751</u>

Delaware County Solid Waste Disposal Commission

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Beth A. Wichtendahl, CPA, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State