OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE July 25, 2013

Auditor of State Mary Mosiman today released an audit report on the Waste Authority of Jackson County (formerly known as the Jackson County Sanitary Disposal Agency).

The Authority had total revenues of $1,156,151 for the year ended June 30, 2012, a 50% increase from the prior year. Revenues included gate fees of $425,652, county and city assessments of $322,090 and an impairment gain after insurance recovery of $376,861. The impairment gain resulted from fire damage to the transfer station on May 30, 2012, net of the insurance recovery.

Expenses totaled $812,281 for the year ended June 30, 2012, an 8% decrease from the prior year, and included $302,633 for employee salaries and benefits, $100,513 for recycling subsidies, $185,538 for tipping fees, $49,398 for depreciation and $63,703 for transportation fees.

A copy of the audit report is available for review at the Waste Authority of Jackson County, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/1214-2326-B00F.pdf.

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WASTE AUTHORITY OF JACKSON COUNTY
(formerly known as the Jackson County Sanitary Disposal Agency)

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

JUNE 30, 2012

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Waste Authority of Jackson County

Officials

Name	Title	Representing
Richard Rossmann	Chair	District F
Tom Messerli	Vice-Chair	District H
Jim Roling	Secretary	District C
Gary Beedle	Member	District B
Jean Casel	Member	District A
Loras Kilburg	Member	District D
James Long	Member	District E
Albert Mangler	Member	District G
Larry (Buck) Koos	Member	Board of Supervisors
Mark Beck	Director	
Karisa Brown	Recording Secretary	

Waste Authority of Jackson County

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Members of the Waste Authority
of Jackson County:

We have audited the accompanying basic financial statements of the Waste Authority of Jackson County (formerly known as the Jackson County Sanitary Disposal Agency) as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Authority'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 Waste Authority of Jackson County at June 30, 2012, 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 June 17, 2013 on our consideration of the Waste Authority of Jackson County'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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 7 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 17, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Waste Authority of Jackson County 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, 2012. We encourage readers to consider this information in conjunction with the Authority's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Authority's operating revenues decreased less than 1%, or $3,871, from fiscal year 2011 to fiscal year 2012.
- The Authority's operating expenses decreased 7.6%, or $66,693, from fiscal year 2011 to fiscal year 2012.
- The Authority's net assets increased 50.7%, or $343,870, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Waste Authority of Jackson County is a 28E organization and presents its financial statements using the economic resources measurement focus and the 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 Waste Authority of Jackson County'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 Authority's financial activities.

The Statement of Net Assets presents information on the Authority'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 Authority 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 Authority's operating revenues and expenses, non-operating revenues and expenses and whether the Authority'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 Authority's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Authority 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 AUTHORITY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's net assets at the end of fiscal year 2012 totaled approximately $1,022,000. This compares to approximately $678,000 at the end of fiscal year 2011. A summary of the Authority's net assets is presented below.

Net Assets			
	June 30,		
		2012	2011
Current assets	$	779,004	318,236
Restricted investments		190,786	202,436
Capital assets at cost, less accumulated depreciation		274,424	435,812
Total assets		1,244,214	956,484
Current liabilities		19,450	70,943
Noncurrent liabilities		202,819	207,466
Total liabilities		222,269	278,409
Net assets:			
Invested in capital assets, net of related debt		274,424	382,803
Unrestricted		747,521	295,272
Total net assets	$	1,021,945	678,075

The invested in capital assets (e.g., buildings and equipment) are resources allocated to capital assets. The remaining net assets are unrestricted net assets which can be used to meet the Authority's obligations and needs as they come due.

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 transfer station and maintain the closed landfill. 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. Non-operating revenues are for interest income and insurance proceeds. An extraordinary item reflects an impairment gain due to insurance proceeds in excess of historical cost of the transfer station building lost in the May 2012 fire.

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets of $343,870 during fiscal year 2012. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2012 and 2011 is presented on the following page.

Changes in Net Assets		
	Year ended June 30,	
	2012	2011
Operating revenues:		
Gate fees	$ 425,652	431,862
County and city assessments	322,090	323,055
Other operating revenues	10,304	7,000
Total operating revenues	758,046	761,917
Operating expenses:		
Salaries	195,816	189,691
Employee benefits	106,817	93,602
Machinery maintenance, labor and parts	3,486	6,273
Long range planning and engineering	893	-
Outside contracts	-	1,750
Site maintenance	6,793	12,497
Site utilities	10,690	13,841
Recycling subsidies	100,513	106,157
Office operations	16,653	30,068
Training and travel	8,176	5,807
Accounting and auditing	6,932	6,705
Insurance	27,449	28,194
Tipping fees	185,538	191,838
Depreciation	49,398	89,684
Transfer station	13,042	23,390
Transportation fees	63,703	59,196
Household hazardous materials disposal	5,283	10,817
Appliance and tire recycling disposal	2,962	5,741
E-Waste recycling	10,974	5,300
Miscellaneous	8,483	5,783
Adjustment to estimated costs for landfill closure and postclosure care	(11,650)	(7,690)
Total operating expenses	811,951	878,644
Operating (loss)	(53,905)	(116,727)
Non-operating revenues (expenses):		
Interest income	4,708	6,644
Insurance proceeds	16,536	-
Interest expense	(330)	(2,260)
Total non-operating revenues (expenses)	20,914	4,384
Income/(loss) before extraordinary item	(32,991)	(112,343)
Extraordinary item due to fire:		
Impairment gain after insurance recovery	376,861	-
Change in net assets	343,870	(112,343)
Net assets beginning of year	678,075	790,418
Net assets end of year	$ 1,021,945	678,075

In fiscal year 2012, operating revenue decreased $3,871, or less than 1%, from the prior year. An impairment gain resulting from fire damage to the transfer station on May 30, 2012, net of insurance recovery, is reflected as an extraordinary item. Operating expenses decreased $66,693, or 7.6% from the prior year, due primarily to a decrease in depreciation expense as many assets were fully depreciated in fiscal year 2011. In addition, the Authority purchased computer software in fiscal year 2011 which increased office operations expenses in fiscal year 2011.

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 capital and related financing activities includes the principal and interest paid to redeem the note payable. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2012, the Authority had $1,041,109 invested in capital assets, net of accumulated depreciation of $766,685. Depreciation expense totaled $49,398 for fiscal year 2012. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2012, the Authority had no outstanding debt.

ECONOMIC FACTORS

The Waste Authority of Jackson County's officials considered many factors when setting user fees. Although the Authority's financial position improved during the current fiscal year, the Authority's officials continue to monitor the financial position of the Waste Authority of Jackson County and are in the process of reviewing user fees for the next fiscal year. However, the current condition of the economy in the state continues to be a concern for Authority officials. Some of the realities that may potentially become challenges for the Authority to meet are:

- Fluctuating fuel costs continue to be an unknown in the budget process.
- Facilities and equipment at the Authority require constant maintenance and upkeep.
- Technology continues to update as current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Waste Authority of Jackson County, 201 W. Platt Street, Maquoketa, Iowa, 52060.

Basic Financial Statements

Waste Authority of Jackson County

Statement of Net Assets

June 30, 2012

Assets	
Current assets:	
Cash and cash equivalents	$ 96,320
Investments	174,214
Receivables:	
Accounts	3,083
Insurance recovery	505,387
Total current assets	779,004
Noncurrent assets:	
Restricted investments	190,786
Capital assets, net of accumulated depreciation	274,424
Total noncurrent assets	465,210
Total assets	1,244,214
Liabilities	
Current liabilities:	
Salaries and benefits payable	6,083
Compensated absences	13,367
Total current liabilities	19,450
Noncurrent liabilities:	
Landfill closure and postclosure care	190,786
Net OPEB liability	12,033
Total noncurrent liabilities	202,819
Total liabilities	222,269
Net assets	
Invested in capital assets	274,424
Unrestricted	747,521
Total net assets	$ 1,021,945

See notes to financial statements.

Waste Authority of Jackson County

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2012

Operating revenues:	
Gate fees	$ 425,652
County and city assessments	322,090
Other operating revenues	10,304
Total operating revenues	758,046
Operating expenses:	
Salaries	195,816
Employee benefits	106,817
Machinery maintenance, labor and parts	3,486
Long range planning and engineering	893
Site maintenance	6,793
Site utilities	10,690
Recycling subsidies	100,513
Office operations	16,653
Training and travel	8,176
Accounting and auditing	6,932
Insurance	27,449
Tipping fees	185,538
Depreciation	49,398
Transfer station	13,042
Transportation fees	63,703
Household hazardous materials disposal	5,283
Appliance and tire recycling disposal	2,962
E-Waste recycling	10,974
Miscellaneous	8,483
Adjustment to estimated costs for landfill closure and postclosure care	(11,650)
Total operating expenses	811,951
Operating (loss)	(53,905)
Non-operating revenues (expenses):	
Interest income	4,708
Insurance proceeds	16,536
Interest expense	(330)
Total non-operating revenues (expenses)	20,914
Income/(loss) before extraordinary item	(32,991)
Extraordinary item due to fire:	
Impairment gain after insurance recovery	376,861
Change in net assets	343,870
Net assets beginning of year	678,075
Net assets end of year	$ 1,021,945

See notes to financial statements.

Waste Authority of Jackson County

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities:	
Cash received from gate fees	$ 439,553
Cash received from assessments	322,090
Cash paid to suppliers for goods and services	(453,086)
Cash paid to employees for services	(294,114)
Cash received from other operating receipts	10,304
Net cash provided by operating activities	24,747
Cash flows from capital and related financing activities:	
Principal paid on note	(53,009)
Interest paid on note	(330)
Net cash used by capital and related financing activities	(53,339)
Cash flows from investing activities:	
Purchase of certificates of deposit	(365,000)
Proceeds from redemption of certificates of deposit	415,000
Interest received	4,708
Net cash provided by investing activities	54,708
Net increase in cash and cash equivalents	26,116
Cash and cash equivalents beginning of year	70,204
Cash and cash equivalents end of year	$ 96,320
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (53,905)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	49,398
Changes in assets and liabilities:	
Decrease in accounts receivable	13,901
Decrease in prepaid insurance	18,484
Increase in salaries and benefits payable	2,518
Decrease in liability for landfill closure and postclosure care	(11,650)
Decrease in compensated absences	(1,002)
Increase in other postemployment benefits	7,003
Total adjustments	78,652
Net cash provided by operating activities	$ 24,747

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The Jackson County Sanitary Disposal Agency was formed in 1975 pursuant to the provisions of Chapter 28E of the Code of Iowa. On March 19, 2012, the Agency was renamed the Waste Authority of Jackson County. The purpose of the Authority is to operate the sanitary landfill in Jackson County for use by all residents of the County.

The Authority is composed of one representative from each of the eight geographic districts and one representative from Jackson County. The representative of a District is appointed jointly by the political subdivisions within the District to be represented or is elected in an at-large election within the District. Each District shall be entitled to one vote for each 2,500 people or fraction thereof as determined by the most recent Federal Census.

The Authority'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 Waste Authority of Jackson County has included all funds, organizations, agencies, boards, commissions and authorities. The Authority 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 Authority are such that exclusion would cause the Authority'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 Authority 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 Authority. The Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Authority 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

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 Authority 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 Authority 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 Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

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

Cash, Cash Equivalents and Investments – The Authority 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. Investments not meeting the definition of cash equivalents at June 30, 2012 include certificates of deposit of $365,000.

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 Authority as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	$ 25,000
Equipment	1,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	15-39
Equipment	5-7

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, 2012.

Compensated Absences – Authority employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Authority's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2012.

(2) Cash, Cash Equivalents and Investments

The Authority's deposits in banks at June 30, 2012 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 Authority 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 Authority; 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 Authority 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 Authority 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 5.38% of their annual covered salary and the Authority is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were $15,422, $12,846 and $11,989, respectively, equal to the required contributions for each year.

(4) Other Postemployment Benefits (OPEB)

The Authority participates in the Jackson County postretirement medical plan (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by Governmental Accounting Standards Board Statement No. 45.

The actuarial valuation of liabilities under the OPEB Plan is calculated using the unit credit actuarial cost method as of the July 1, 2009 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately $883,000 for Jackson County as of June 30, 2012. The Authority's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB plan are available in Jackson County's audit report for the year ended June 30, 2012. The report may be obtained by writing to the Jackson County's Auditor's Office, 201 West Platt Street, Maquoketa, Iowa 52060.

The Authority recognized a net OPEB liability of $12,033 for other postemployment benefits, which represents the Authority's portion of Jackson County's net OPEB obligation. The Authority's portion of the net OPEB obligation was calculated using the ratio of full-time equivalent employees of the Authority compared to full-time equivalent employees of Jackson County.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Buildings and improvements	$ 633,000	-	(277,486)	355,514
Equipment	753,875	1,675	(69,955)	685,595
Total capital assets	1,386,875	1,675	(347,441)	1,041,109
Less accumulated depreciation for:				
Buildings and improvements	277,067	34,614	(167,559)	144,122
Equipment	673,996	14,784	(66,217)	622,563
Total accumulated depreciation	951,063	49,398	(233,776)	766,685
Total capital assets, net	$ 435,812	(47,723)	(113,665)	274,424

(6) Impairment Gain on Transfer Station Building Fire

The Authority's transfer station building was destroyed by fire on May 30, 2012. The building was placed in service in July 1993. Management of the Authority considers the event to be both unusual in nature and infrequent in occurrence as defined by Accounting Principles Board Opinion No. 30.

Management of the Authority has computed an impairment gain on building fire less insurance recovery in accordance with GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

Historical cost	$ 300,348
Accumulated depreciation	178,977
Carrying value, June 30, 2012	$ 121,371
Restoration cost	$ 488,851
Replacement cost	529,800
Restoration cost ratio	92.271%
Carrying value, June 30, 2012	121,371
Impairment loss	111,990
Insurance recovery	488,851
Impairment gain on building fire	$ 376,861

The impairment gain on building fire is reported on the Statement of Revenues, Expenses and Changes in Net Assets as an extraordinary item in the Statement of Cash Flows. The insurance recovery will be reported as a cash flow from capital and related financing activities when received.

The carrying value of the building was $121,371. Management considered the building to be a temporarily idle capital asset. The restored building returned to service on May 20, 2013.

The restoration cost of the building is $488,851 and it is estimated $488,851 will be recovered from the Authority's insurance company for restoration of the building. The insurance recovery receivable for the building, as well as other losses related to the building's contents, is included in accounts receivable in the Statement of Net Assets.

(7) Lease Agreement

The land used by the Authority for its landfill site was leased from Jackson County for a one time fee of $1 for a period of twenty-five years. The lease has been extended for a period of thirty years from the date of the issuance of a closure permit to allow monitoring of the site as required by law. The lease will expire on August 24, 2024.

(8) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Authority 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 Authority (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. Postclosure care costs for the Authority have been estimated to be $177,200 and a provision for this liability has been made in the Authority's Statement of Net Assets as of June 30, 2012.

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

At June 30, 2012, the total closure care costs for the Authority have been estimated to be $13,586 and a provision for this liability has been made in the Authority's Statement of Net Assets as of June 30, 2012.

The Authority has accumulated resources to fund these liabilities and, at June 30, 2012, assets of $190,786 are restricted for these purposes. They are reported as restricted investments in the Statement of Net Assets.

(9) Risk Management

The Authority is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Authority's property and casualty contributions to the risk pool are recorded as disbursements from its operating fund at the time of payment to the risk pool. The Authority's contributions to the Pool for the year ended June 30, 2012 were $18,484.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

The Authority also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $25,000, respectively. The Authority assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Waste Authority of Jackson County

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Mary Mosiman, 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 Waste Authority of
Jackson County:

We have audited the accompanying financial statements of the Waste Authority of Jackson County as of and for the year ended June 30, 2012, and have issued our report thereon dated June 17, 2013. 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

The management of the Waste Authority of Jackson County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Waste Authority of Jackson County'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 Waste Authority of Jackson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Waste Authority of Jackson County'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 deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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 Waste Authority of Jackson County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Waste Authority of Jackson County'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 deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waste Authority of Jackson County'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.

The Waste Authority of Jackson County'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 Authority's responses, we did not audit the Waste Authority of Jackson County'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 Waste Authority of Jackson County and other parties to whom the Authority 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 Waste Authority of Jackson County 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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 17, 2013

Waste Authority of Jackson County

Schedule of Findings

Year ended June 30, 2012

<u>Findings Related to the Financial Statements:</u>

<u>INTERNAL CONTROL DEFICIENCIES:</u>

(A) <u>Segregation of Duties</u> – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over opening mail, preparing deposits and recording receipts. In addition, for several bank reconciliations, there was no evidence the reconciliations were independently reviewed.

<u>Recommendation</u> – We realize segregation of duties is difficult with a limited number of office employees. However, the Authority should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including District representatives.

<u>Response</u> – We will review procedures to maximize the best possible internal control with the current staff. Lack of review of statements and reconciliations was brought to our attention during last year's audit and review has been done at each meeting since we were made aware of the need.

<u>Conclusion</u> – Response accepted.

(B) <u>Financial Reporting</u> – Capital asset records were not timely updated when items were disposed of during fiscal year 2012. Specifically, transfer station and equipment damaged in May 2012 was not properly reflected in the capital asset listing for June 2012. Subsequent adjustments were necessary and are reflected in the financial statements.

<u>Recommendation</u> – The Authority should ensure its capital asset listing is updated when assets are no longer in use.

<u>Response</u> – We will be working with Maquoketa State Bank to update our capital assets listing and will add items as they are replaced from the fire.

<u>Conclusion</u> – Response accepted.

(C) <u>Computer Systems</u> – The following weaknesses in the Authority's computer systems were noted:

- The Authority does not have a written policy regarding password privacy and confidentiality.
- A time out and/or log off function is not utilized. This function will protect a terminal if left unattended.

<u>Recommendation</u> – The Authority should review its control activities and establish policies pertaining to its computer systems.

<u>Response</u> – We will again consider changes and make them where deemed feasible.

<u>Conclusion</u> – Response accepted.

<u>INSTANCES OF NON-COMPLIANCE:</u>

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 Authority officials or employees were noted.

(3) Authority Minutes – No transactions were found that we believe should have been approved in the Authority minutes but were not.

(4) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Authority's investment policy were noted.

Waste Authority of Jackson County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
James H. Pitcher, Staff Auditor
Jesse J. Probasco, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State