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

State Capitol Building
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE March 30, 2015

Auditor of State Mary Mosiman today released an audit report on the Waste Authority of Jackson County.

The Authority had total revenues of $814,263 for the year ended June 30, 2014, a 66% increase over the prior year. Revenues included gate fees of $459,411 and county and city assessments of $338,046.

Expenses totaled $944,734 for the year ended June 30, 2014, a 78% increase over the prior year, and included $272,748 for employee salaries and benefits, $187,282 for tipping fees, $100,000 for recycling subsidies and $54,839 for transportation fees. Significant fire damage to the transfer station in May 2012 disrupted fiscal year 2013 operations. Revenues and expenses increased during fiscal year 2014 and reflect normal business operations.

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/1414-2326-B00F.pdf.

# # #

**WASTE AUTHORITY OF JACKSON COUNTY**

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

**JUNE 30, 2014**

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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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## Independent Auditor's Report

To the Members of the Waste Authority
of Jackson County:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Waste Authority of Jackson County as of and for the year ended June 30, 2014, and the related Notes to Financial Statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

*Required Supplementary Information*

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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2015 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 in considering the Waste Authority of Jackson County's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 9, 2015

# 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, 2014. We encourage readers to consider this information in conjunction with the Authority's financial statements, which follow.

## 2014 FINANCIAL HIGHLIGHTS

- The Authority's operating revenues increased 67%, or $324,468, from fiscal year 2013 to fiscal year 2014.
- The Authority's operating expenses increased 78%, or $411,721, from fiscal year 2013 to fiscal year 2014.
- The Authority's net position decreased 13%, or $130,471, from June 30, 2013 to June 30, 2014.

## 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 Position presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position 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.

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 Position*

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's net position at the end of fiscal year 2014 totaled approximately $851,000. This compares to approximately $982,000 at the end of fiscal year 2013. A summary of the Authority's net position is presented below.

| Net Position | | |
|---|---|---|
| | June 30, | |
| | 2014 | 2013 |
| Current assets | $ 303,346 | 488,527 |
| Restricted investments | 243,086 | 178,936 |
| Capital assets at cost, less accumulated depreciation | 745,006 | 793,478 |
| Total assets | 1,291,438 | 1,460,941 |
| Current liabilities | 78,956 | 89,161 |
| Noncurrent liabilities | 361,278 | 390,105 |
| Total liabilities | 440,234 | 479,266 |
| Net position: | | |
| Net investment in capital assets | 745,006 | 793,478 |
| Unrestricted | 106,198 | 188,197 |
| Total net position | $ 851,204 | 981,675 |

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

*Statement of Revenues, Expenses and Changes in Net Position*

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 and expenses are for interest income earned on the Authority's investments, gain on the sale of capital assets and interest expense paid on the Authority's outstanding loan.

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of $130,471 during fiscal year 2014. A summary of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 is presented on the following page.

| Changes in Net Position | | |
|---|---|---|
| | Year ended June 30, | |
| | 2014 | 2013 |
| Operating revenues: | | |
| Gate fees | $ 459,411 | 158,228 |
| County and city assessments | 338,046 | 322,020 |
| Other operating revenues | 14,062 | 6,803 |
| Total operating revenues | 811,519 | 487,051 |
| Operating expenses: | | |
| Salaries | 178,783 | 149,570 |
| Employee benefits | 93,965 | 62,009 |
| Machinery maintenance, labor and parts | 16,333 | 2,748 |
| Site maintenance | 8,426 | 12,027 |
| Site utilities | 8,629 | 5,966 |
| Recycling subsidies | 100,000 | 100,000 |
| Office operations | 17,572 | 16,711 |
| Training and travel | 3,959 | 7,423 |
| Accounting and auditing | 7,243 | 2,160 |
| Insurance | 30,275 | 21,391 |
| Tipping fees | 187,282 | 42,132 |
| Depreciation | 54,500 | 40,807 |
| Transfer station | 32,197 | 28,508 |
| Transportation fees | 54,839 | 19,807 |
| Household hazardous materials disposal | 6,551 | 2,582 |
| Appliance and tire recycling disposal | 5,713 | 2,586 |
| E-Waste recycling | 14,014 | 11,144 |
| Miscellaneous | 57,340 | 14,329 |
| Adjustment to estimated costs for landfill closure and postclosure care | 64,150 | (11,850) |
| Total operating expenses | 941,771 | 530,050 |
| Operating loss | (130,252) | (42,999) |
| Non-operating revenues (expenses): | | |
| Interest income | 2,336 | 4,213 |
| Gain on sale of capital asset | 408 | - |
| Interest expense | (2,963) | (1,484) |
| Net non-operating revenues (expenses) | (219) | 2,729 |
| Change in net position | (130,471) | (40,270) |
| Net position beginning of year | 981,675 | 1,021,945 |
| Net position end of year | $ 851,204 | 981,675 |

In fiscal year 2014, operating revenues increased $324,468, or 67%, from the prior year. Operating expenses also increased $411,721, or 78%, from the prior year. Significant fire damage to the transfer station in May 2012 disrupted fiscal year 2013 operations. Fiscal year 2014 operating revenues and expenses reflect returning to normal business operations. In addition, the re-estimated costs for landfill postclosure care increased by $76,000.

*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 suppliers. Cash provided by capital and related financing activities includes insurance proceeds, the purchase of capital assets and loan principal and interest payments. Cash provided by investing activities includes proceeds from the redemption of certificates of deposit and interest income, offset by the purchase of certificates of deposit.

**CAPITAL ASSETS**

At June 30, 2014, the Authority had $1,457,875 invested in capital assets and accumulated depreciation of $712,869. Depreciation expense totaled $54,500 for fiscal year 2014. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

**LONG-TERM DEBT**

In February 2013, the Authority entered into a loan agreement with East Central Intergovernmental Association (ECIA) Business Growth, Inc. Jackson County Revolving Loan Fund for $225,000 to aid in the reconstruction of the transfer station following fire damage in May 2012. At June 30, 2014, the Authority's outstanding loan balance was $124,157. Additional information on the Authority's long-term debt is presented in Note 7 to the financial statements.

**ECONOMIC FACTORS**

The Waste Authority of Jackson County's officials considered many factors when setting user fees. 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 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 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 Position

June 30, 2014

| | |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents | $ 248,877 |
| Investments | 21,914 |
| Accounts receivable | 32,555 |
| Total current assets | 303,346 |
| Noncurrent assets: | |
| Restricted investments | 243,086 |
| Capital assets, net of accumulated depreciation | 745,006 |
| Total noncurrent assets | 988,092 |
| **Total assets** | 1,291,438 |
| **Liabilities** | |
| Current liabilities: | |
| Salaries and benefits payable | 5,712 |
| Assessments received in advance | 30,418 |
| Compensated absences | 20,259 |
| Current portion of loan payable | 22,567 |
| Total current liabilities | 78,956 |
| Non-current liabilities: | |
| Non-current portion of loan payable | 101,590 |
| Landfill closure and postclosure care | 243,086 |
| Net OPEB liability | 16,602 |
| Total non-current liabilities | 361,278 |
| **Total liabilities** | 440,234 |
| **Net Position** | |
| Net investment in capital assets | 745,006 |
| Unrestricted | 106,198 |
| **Total net position** | $ 851,204 |

See notes to financial statements.

Waste Authority of Jackson County

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2014

| | |
|---|---|
| Operating revenues: | |
| Gate fees | $ 459,411 |
| County and city assessments | 338,046 |
| Other operating revenues | 14,062 |
| Total operating revenues | 811,519 |
| Operating expenses: | |
| Salaries | 178,783 |
| Employee benefits | 93,965 |
| Machinery maintenance, labor and parts | 16,333 |
| Site maintenance | 8,426 |
| Site utilities | 8,629 |
| Recycling subsidies | 100,000 |
| Office operations | 17,572 |
| Training and travel | 3,959 |
| Accounting and auditing | 7,243 |
| Insurance | 30,275 |
| Tipping fees | 187,282 |
| Depreciation | 54,500 |
| Transfer station | 32,197 |
| Transportation fees | 54,839 |
| Household hazardous materials disposal | 6,551 |
| Appliance and tire recycling disposal | 5,713 |
| E-Waste recycling | 14,014 |
| Miscellaneous | 57,340 |
| Adjustment to estimated costs for landfill closure and postclosure care | 64,150 |
| Total operating expenses | 941,771 |
| Operating loss | (130,252) |
| Non-operating revenues (expenses): | |
| Interest income | 2,336 |
| Gain on sale of capital asset | 408 |
| Interest expense | (2,963) |
| Total non-operating revenues (expenses) | (219) |
| Change in net position | (130,471) |
| Net position beginning of year | 981,675 |
| Net position end of year | $ 851,204 |

See notes to financial statements.

Waste Authority of Jackson County

Statement of Cash Flows

Year ended June 30, 2014

| | |
|---|---|
| Cash flows from operating activities: | |
| Cash received from gate fees | $ 459,411 |
| Cash received from assessments | 340,062 |
| Cash paid to suppliers for goods and services | (567,516) |
| Cash paid to employees for services | (266,758) |
| Cash received from other operating receipts | 12,281 |
| Net cash used by operating activities | (22,520) |
| Cash flows from capital and related financing activities: | |
| Insurance proceeds | 124,787 |
| Proceeds from sale of capital assets | 408 |
| Purchase of capital assets | (6,028) |
| Principal paid on loan from Jackson County | (94,045) |
| Interest paid on loan from Jackson County | (2,963) |
| Net cash provided by capital and related financing activities | 22,159 |
| Cash flows from investing activities: | |
| Purchase of certificates of deposit | (265,000) |
| Proceeds from redemption of certificates of deposit | 265,000 |
| Interest received | 2,336 |
| Net cash provided by investing activities | 2,336 |
| Net increase in cash and cash equivalents | 1,975 |
| Cash and cash equivalents beginning of year | 246,902 |
| Cash and cash equivalents end of year | $ 248,877 |
| **Reconciliation of operating loss to net cash used by operating activities:** | |
| Operating loss | $ (130,252) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 54,500 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (1,781) |
| Decrease in accounts payable | (17,143) |
| Increase in salaries and benefits payable | 715 |
| Increase in unearned assessments | 2,016 |
| Increase in compensated absences | 2,308 |
| Increase in liability for landfill closure and postclosure care | 64,150 |
| Increase in other postemployment benefits | 2,967 |
| Total adjustments | 107,732 |
| Net cash used by operating activities | $ (22,520) |

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 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 Position

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

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, 2014 include certificates of deposit of $265,000.

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, 2014.

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, 2014.

## (2) Cash, Cash Equivalents and Investments

The Authority's deposits in banks at June 30, 2014 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 5.95% of their annual covered salary and the Authority is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were $14,348, $12,168 and $15,422, 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, 2013 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately $1,153,000 for Jackson County as of June 30, 2014. 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, 2014. The report may be obtained by writing to the Jackson County Auditor's Office, 201 West Platt Street, Maquoketa, Iowa 52060.

The Authority recognized a net OPEB liability of $16,602 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, 2014 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Buildings and improvements | $ 777,757 | - | - | 777,757 |
| Equipment | 716,637 | 6,028 | (42,547) | 680,118 |
| Total capital assets | 1,494,394 | 6,028 | (42,547) | 1,457,875 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 56,784 | 19,944 | - | 76,728 |
| Equipment | 644,132 | 34,556 | (42,547) | 636,141 |
| Total accumulated depreciation | 700,916 | 54,500 | (42,547) | 712,869 |
| Total capital assets, net | $ 793,478 | (48,472) | - | 745,006 |

## (6) 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.

## (7) Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

| | Loan Payable |
|---|---|
| Balance beginning of year | $ 218,202 |
| Increases | - |
| Decreases | 94,045 |
| Balance end of year | $ 124,157 |
| Due within one year | $ 22,567 |

Loan Payable

In February 2013, the Authority entered into a loan agreement with ECIA Business Growth, Inc. Jackson County Revolving Loan Fund for $225,000 for the purpose of constructing improvements to the solid waste disposal facility.

Annual debt service requirements to maturity under the loan agreement are as follows:

| Year Ending June 30, | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2015 | 2.00% | $ 22,567 | 2,277 | 24,844 |
| 2016 | 2.00 | 23,022 | 1,822 | 24,844 |
| 2017 | 2.00 | 23,486 | 1,357 | 24,843 |
| 2018 | 2.00 | 23,961 | 883 | 24,844 |
| 2019 | 2.00 | 24,444 | 399 | 24,843 |
| 2020 | 2.00 | 6,677 | 24 | 6,701 |
| Total | | $ 124,157 | 6,762 | 130,919 |

During the year ended June 30, 2014, the Authority paid loan principal of $94,045.

## (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 $229,500 and a provision for this liability has been made in the Authority's Statement of Net position as of June 30, 2014.

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, 2014, 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 Position as of June 30, 2014.

The Authority has accumulated resources to fund these liabilities and, at June 30, 2014, assets of $243,086 are restricted for these purposes. They are reported as restricted investments in the Statement of Net Position.

**(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 700 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 expenditures 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, 2014 were $22,548.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location. Property risks exceeding $150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Authority's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Authority does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the Authority's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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 casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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.

## (10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the Authority's proportionate share of the employee pension plan.

**Waste Authority of Jackson County**

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## 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 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, the financial statements of the Waste Authority of Jackson County as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, and have issued our report thereon dated March 9, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Waste Authority of Jackson County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waste Authority of Jackson County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Waste Authority of Jackson County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness 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 deficiency in the Waste Authority of Jackson County's internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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 (B) 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

The Waste Authority of Jackson County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Waste Authority of Jackson County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 9, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – 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, there was no evidence several bank reconciliations were independently reviewed.

Recommendation – 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.

Response – We will review internal control procedures and make changes where deemed feasible.

Conclusion – Response accepted.

(B) Computer Systems – 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 to protect a terminal if left unattended is not utilized.

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

Response – We will discuss a password policy again and make changes to the processes above if deemed necessary.

Conclusion – Response accepted.

**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 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 P. Moriarty, CPA, Assistant Auditor
Michael A. Chervek, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State