



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

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NEWS RELEASE

FOR RELEASE

December 8, 2005

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Auditor of State David A. Vaudt today released an audit report on the Adair County Sanitary Landfill and Recycling Center.

The Center had total receipts of \$562,839 during the year ended June 30, 2005, a three percent decrease from 2004. The receipts included county and city contributions of \$79,488 and gate and recycling fees of \$418,005.

Disbursements for the year totaled \$434,356, an 18 percent decrease from the prior year, and included \$163,955 for salaries and benefits, \$125,650 for solid waste operator contractor fees and \$22,577 for loan principal payments. The significant decrease in total disbursements was due primarily to the repayment of the remaining balance on one of the Center's loan agreements in the prior year.

A copy of the audit report is available for review at the Adair County Sanitary Landfill and Recycling Center, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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ADAIR COUNTY SANITARY LANDFILL AND RECYCLING CENTER

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

JUNE 30, 2005

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Adair County Sanitary Landfill and Recycling Center

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Chuck Avey	Chair	City of Stuart
Ron Wilson	Vice-Chair	City of Adair
Pat Keating	Member	City of Casey
No representative	Member	City of Bridgewater
Bill Heckman	Member	City of Menlo
Kevin Hall	Member	City of Greenfield
Robert Jensen	Member	City of Orient
Bob Grasty	Member	Adair County
Bill Lamb	Member	Adair County
Ron Reed	Member	City of Fontanelle
Barbara Jean Funke	Director	

Adair County Sanitary Landfill and Recycling Center



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Independent Auditor's Report

To the Members of the Adair County Sanitary Landfill and Recycling Center:

We have audited the accompanying financial statement of the Adair County Sanitary Landfill and Recycling Center as of and for the year ended June 30, 2005. This financial statement is the responsibility of the Center's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

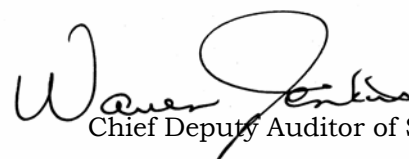
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Adair County Sanitary Landfill and Recycling Center as of June 30, 2005, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2005 on our consideration of the Adair County Sanitary Landfill and Recycling Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 6 through 8 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.


Auditor of State


Chief Deputy Auditor of State

September 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Adair County Sanitary Landfill and Recycling Center (ACSL&RC) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the ACSL&RC is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the financial statement, which follows.

2005 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts decreased .6%, or approximately \$3,100, from fiscal 2004 to fiscal 2005.
- ◆ Operating disbursements increased 6%, or approximately \$23,000, from fiscal 2004 to fiscal 2005.
- ◆ Cash basis net assets increased 15%, or approximately \$128,500, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The ACSL&RC has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the ACSL&RC's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the ACSL&RC's operating receipts and disbursements, non-operating receipts and disbursements and whether the ACSL&RC's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE CENTER

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the ACSL&RC and the disbursements paid by the ACSL&RC, both operating and non-operating. The statement also presents a fiscal snapshot of the ACSL&RC's cash balance at year end. Over time, readers of the financial statement are able to determine the ACSL&RC's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the ACSL&RC. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, land rent, proceeds from sale of equipment and loan principal payments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2005 and June 30, 2004 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2005	2004
Operating receipts:		
Gate and recycling fees	\$ 418,005	422,271
County contributions	31,923	31,604
City contributions	47,565	47,089
Recycling freight	33,289	31,676
Miscellaneous	572	1,815
Total operating receipts	<u>531,354</u>	<u>534,455</u>
Operating disbursements:		
Salaries and benefits	163,955	165,230
Operator and recycling contracts	125,735	108,910
Other	122,089	114,669
Total operating disbursements	<u>411,779</u>	<u>388,809</u>
Excess of operating receipts over operating disbursements	<u>119,575</u>	<u>145,646</u>
Non-operating receipts (disbursements):		
Interest on investments	18,780	20,793
Land rent	12,705	12,535
Sale of equipment	-	12,500
Loan principal payments	(22,577)	(142,526)
Net non-operating receipts (disbursements)	<u>8,908</u>	<u>(96,698)</u>
Net change in cash basis net assets	128,483	48,948
Cash basis net assets beginning of year	<u>851,509</u>	<u>802,561</u>
Cash basis net assets end of year	<u>\$ 979,992</u>	<u>851,509</u>

In fiscal 2005, operating receipts decreased by \$3,101, or .6%, from fiscal 2004. The decrease was primarily a result of a decrease of 98 tons of solid waste from the previous year. In fiscal 2005, operating disbursements increased by \$22,970, or 6%, from fiscal 2004. The increase was primarily due to continued maintenance of the landfill site, legal fees, the rising cost of fuel, and repair and maintenance on landfill/recycling center equipment.

The largest portion of the ACSL&RC's cash basis net assets (67%) is restricted for closure and postclosure care. State and federal laws and regulations require the ACSL&RC to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash basis net assets (33%) are unrestricted cash basis net assets that can be used to meet the ACSL&RC's obligations as they come due. Restricted cash basis net assets increased \$93,656, or 17%, during the year. The increase was due to additional funds being set aside for closure and postclosure care. Unrestricted cash basis net assets increased \$34,827, or 12%, during the year due to an increase in the tipping fee to \$45.

LONG-TERM DEBT

At June 30, 2005, the ACSL&RC had \$23,898 of Iowa Department of Natural Resources loans outstanding. The loans were obtained in previous years to finance the costs of constructing and equipping a recycling processing center and implementing drop-off recycling containers in the planning area.

ECONOMIC FACTORS

ACSL&RC continued to improve its cash basis financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for ACSL&RC officials. Some of the realities that may potentially become challenges for the ACSL&RC to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ EPA (Environmental Protection Agency) requirements to be compliant as a Subtitle D landfill facility by October 2007 while following all rules and regulations.
- ◆ Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The ACSL&RC anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain its ability to react to unknown issues.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the ACSL&RCs finances and to show the ACSL&RC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact ACSL&RC at 1645 State Highway #25, Menlo, IA 50164, by calling 641-743-8343 or at acsl@mddc.com on the internet.

Adair County Sanitary Landfill and Recycling Center

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

As of and for the Year ended June 30, 2005

Operating receipts:	
Gate and recycling fees	\$ 418,005
County contributions	31,923
City contributions	47,565
Recycling freight	33,289
Miscellaneous	572
Total operating receipts	<u>531,354</u>
Operating disbursements:	
Salaries and benefits	163,955
Training and travel	2,557
Equipment	1,670
Maintenance and repair	10,576
Utilities	6,629
Rock	3,241
Insurance	16,068
Operator contract	125,650
Recycling contract	85
Household hazard facility contract	8,872
Fuel	4,428
Advertising and supplies	15,085
Professional services	21,585
Tonnage fees	15,180
Disposal costs	10,088
Miscellaneous	6,110
Total operating disbursements	<u>411,779</u>
Excess of operating receipts over operating disbursements	<u>119,575</u>
Non-operating receipts (disbursements):	
Interest on investments	18,780
Land rent	12,705
Loan principal payments	(22,577)
Net non-operating receipts	<u>8,908</u>
Change in cash basis net assets	128,483
Cash basis net assets beginning of year	<u>851,509</u>
Cash basis net assets end of year	<u>\$ 979,992</u>
Cash Basis Net Assets	
Restricted for:	
Closure	\$ 257,830
Postclosure care	401,739
Total restricted net assets	<u>659,569</u>
Unrestricted	<u>320,423</u>
Total cash basis net assets	<u>\$ 979,992</u>

See notes to financial statement.

Adair County Sanitary Landfill and Recycling Center

Notes to Financial Statement

June 30, 2005

(1) Summary of Significant Accounting Policies

The Adair County Sanitary Landfill and Recycling Center was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to develop, operate and maintain solid waste and recycling facilities in Adair County on behalf of the units of government which are members of the Center.

The governing body of the Center is composed of one representative from each of the eight member cities and two representatives from Adair County. The member cities are: Adair, Orient, Stuart, Bridgewater, Casey, Fontanelle, Greenfield and Menlo. The commissioners are appointed by the participating governmental subdivisions and each has one vote for each one hundred population, except for Adair County whose votes are to be shared by two members.

A. Reporting Entity

For financial reporting purposes, the Adair County Sanitary Landfill and Recycling Center has included all funds, organizations, agencies, boards, commissions and authorities. The Center 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 Center are such that exclusion would cause the Center's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Center 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 Center. The Center has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

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

D. Restricted Cash Basis Net Assets

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

(2) Cash and Investments

The Center's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Center 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 Center; 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 Center 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 Center 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 which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Center is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Center's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$6,454, \$6,323 and \$6,297, respectively, equal to the required contribution for each year.

(4) Closure and Postclosure Care

To comply with federal and state regulations, the Center is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Adair County Sanitary Landfill and Recycling Center have been estimated to be \$259,001 for closure and \$542,515 for postclosure, for a total of \$801,516. On October 20, 1997, Iowa received final full program determination of adequacy from the U.S. Environmental Protection Agency (EPA) for the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. As a fully approved state, Iowa must have enforceable standards to comply with 40 Code of Regulations (CFR) part 258, which establishes the minimum national criteria for all MSW landfills. Even though the landfill continues to have additional space available for future waste, the Iowa Department of Natural Resources has stated the landfilling of waste in this area must cease as of October 1, 2007. At that time, the landfill will begin closure activities. This action is the result of proposed revisions to Chapter 567-113 of the Iowa Administrative Code to comply with 40 CFR 258. The Adair County Sanitary Landfill and Recycling Center Commission has authorized the design of a new Subtitle D landfill that will have a different remaining life and a different financial assurance account. After October 1, 2007 waste will be directed to this new area.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Adair County Sanitary Landfill and Recycling Center has begun to accumulate resources to fund these costs and, at June 30, 2005, assets of \$659,569 are restricted for these purposes, of which \$257,830 is for closure and \$401,739 is for postclosure care. They are reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the IAC, since the estimated closure and postclosure care costs are not fully funded, the Center is required to demonstrate financial assurance for the unfunded costs. The Center has adopted the Dedicated Fund financial assurance mechanism. Under this mechanism, the Center must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-111.8(7) of the IAC allows a government to choose the Dedicated Fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Center is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

(5) Solid Waste Tonnage Fees Retained

The Center has established an account for restricting and using solid waste tonnage fees retained by the Center in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2005, the Center had no unspent tonnage fees.

(6) Risk Management

The Center is a member in 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 509 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 300 percent 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 contribution.

The Center's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Center's contribution to the Pool for the year ended June 30, 2005 was \$10,302.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

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, 2005, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three 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 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The Center also carries commercial insurance purchased from another insurer for coverage associated with the employee blanket bond in the amount of \$250,000. The Center 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.

(7) Operator Contract

The Adair County Sanitary Landfill and Recycling Center has entered into a contract for the operation of the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools, and equipment necessary for operation, except for recycling responsibilities and collection of gate fees. The fee for these services is \$10,000 per month.

(8) Financial Assistance Program Loans

During the year ended June 30, 1997, the Center entered into a contract with the Iowa Department of Natural Resources under the Landfill Alternatives Financial Assistance Program and received a \$186,065 interest-free loan. The proceeds were used to construct and equip a recycling processing center. The promissory note is to be repaid over 84 months, with quarterly payments of \$6,645 beginning November 1997, with the final payment due August 2004. The final payment of \$6,645 was made during the year ended June 30, 2005.

On November 9, 1998, the Center approved a comprehensive plan for recycling expansion and entered into an agreement with the Iowa Department of Natural Resources for a \$111,524 interest-free loan to fund the expansion. The promissory note is to be repaid over 84 months, with quarterly payments of \$3,983 beginning January 15, 2000 and ending October 15, 2006. Four payments totaling \$15,932 were made during the year ended June 30, 2005. At June 30, 2005, the unpaid balance of the loan was \$23,898. A schedule of the remaining payments to be made on the loan is as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2006	\$ 15,932
2007	<u>7,966</u>
Total	<u>\$ 23,898</u>

(9) Designated Funds

The Center maintains designated funds in separate certificates of deposit and savings accounts which are identified for specific purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Planning	\$ 151,584
Equipment	<u>109,156</u>
Total	<u>\$ 260,740</u>

Adair County Sanitary Landfill and Recycling Center



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report
on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Adair
County Sanitary Landfill and Recycling Center:

We have audited the accompanying financial statement of the Adair County Sanitary Landfill and Recycling Center as of and for the year ended June 30, 2005, and have issued our report thereon dated September 26, 2005. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Adair County Sanitary Landfill and Recycling Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Adair County Sanitary Landfill and Recycling Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

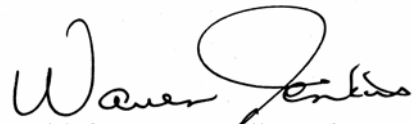
As part of obtaining reasonable assurance about whether the Adair County Sanitary Landfill and Recycling Center's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with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

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Adair County Sanitary Landfill and Recycling Center and other parties to whom the Center 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 Adair County Sanitary Landfill and Recycling Center 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.


Auditor of State


Chief Deputy Auditor of State

September 26, 2005

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (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 charge accounts, including billing, deposit preparation, posting to receipts records and individual charge account records and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review its control activities to obtain the maximum internal control possible under the circumstances.

Response – The ACSL&RC in fiscal year 2005 increased the internal auditing procedures from four entries to eight by two other staff other than the primary person in control of the accounting package. In fiscal year 2006 the ACSL&RC will expand on this internal auditing procedure to include all full-time and part-time staff other than the primary person in control of the accounting package reviewing ten entries a month. In summary: two additional entries will be audited per month, and three additional staff will be involved in the procedures compared to the previous year.

Conclusion – Response accepted.

- (B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, variances were not adequately resolved.

Recommendation – Variances noted in monthly bank reconciliations should be investigated and resolved timely.

Response – The ACSL&RC will reconcile and correct any variances in a timely manner.

Conclusion – Response accepted.

- (C) Sick Leave Usage – Although sick leave balances are maintained for each employee, an independent review is not done on a periodic basis.

Recommendation – The Commission should, at a minimum, annually review the sick leave balances for each employee to ensure sick leave earned and used are accurately reflected. Evidence of review should also be maintained.

Response – The ACSL&RC Commission will review annually all sick leave balances for each employee who has sick leave benefits to insure all earned and used sick leave are accurately reflected in each ending balance, and evidence of this review will be maintained for future audit. This review will be completed by the Commission member who annually audits the certificates of deposit.

Conclusion – Response accepted.

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the Center. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Center money for travel expenses of spouses of Center officials or employees were noted.
- (4) Center Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Center's investment policy were noted.
- (6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2005, the Center used or retained solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.
- (7) Financial Assurance – The Center has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

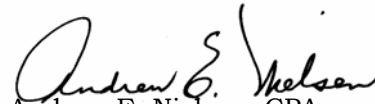
	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 259,001	542,515
Less: Balance of funds held in the local dedicated fund at June 30, 2004	(252,478)	(313,435)
	6,523	229,080
Divided by the number of years remaining in the pay-in period	÷ 3	3
Required payment into the local dedicated fund for the year ended June 30, 2005	2,174	76,360
Balance of funds held in the local dedicated fund at June 30, 2004	252,478	313,435
Required balance of funds to be held in the local dedicated fund at June 30, 2005	\$ 254,652	389,795
Amount Center has restricted for closure and postclosure care at June 30, 2005	\$ 257,830	401,739

Adair County Sanitary Landfill and Recycling Center

Staff

This audit was performed by:

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