



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

January 9, 2008

Contact: Andy Nielsen  
515/281-5834

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 \$585,716 during the year ended June 30, 2007, a less than one percent increase from 2006. The receipts included county and city contributions of \$94,411 and gate and recycling fees of \$435,817.

Disbursements for the year totaled \$484,048, a 17 percent decrease from the prior year, and included \$150,000 for salaries and benefits, \$133,750 for solid waste operator contractor fees and \$48,496 for professional services. The significant decrease in total disbursements was due primarily to professional services related to Subtitle D compliance in the prior fiscal 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, 2007**

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## Adair County Sanitary Landfill and Recycling Center

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Kim Avey	Chair	City of Menlo
Pat Glassell	Vice-Chair	City of Bridgewater
Chuck Avey	Member	City of Stuart
Pat Keating	Member	City of Casey
Kevin Hall	Member	City of Greenfield
Don Arrowsmith	Member	City of Orient
Bob Grasty	Member	Adair County
Bill Lamb	Member	Adair County
Scott Yarrington	Member	City of Fontanelle
Doug Hughes	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, 2007. 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, 2007, 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 November 16, 2007 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.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 16, 2007

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2007. We encourage readers to consider this information in conjunction with the financial statement, which follows.

### **2007 FINANCIAL HIGHLIGHTS**

- Operating receipts decreased 1.2%, or approximately \$6,000, from fiscal 2006 to fiscal 2007.
- Operating disbursements decreased 12.1%, or approximately \$62,000, from fiscal 2006 to fiscal 2007.
- Cash basis net assets increased 10.3%, or approximately \$102,000, from June 30, 2006 to June 30, 2007.

### **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, readers 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, equipment purchases and loan principal payments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2007 and June 30, 2006 is presented below:

	Changes in Cash Basis Net Assets	
	Year ended June 30,	
	2007	2006
Operating receipts:		
Gate and recycling fees	\$ 435,817	443,655
County contributions	32,158	30,627
City contributions	62,253	61,155
Miscellaneous	592	1,717
Total operating receipts	530,820	537,154
Operating disbursements:		
Salaries and benefits	150,000	156,713
Operator and recycling contracts	133,750	120,000
Other	167,125	236,312
Total operating disbursements	450,875	513,025
Excess of operating receipts over operating disbursements	79,945	24,129
Non-operating receipts (disbursements):		
Interest on investments	47,833	33,312
Land rent	7,063	12,705
Equipment	(25,207)	(50,800)
Loan principal	(7,966)	(15,932)
Net non-operating receipts (disbursements)	21,723	(20,715)
Net change in cash basis net assets	101,668	3,414
Cash basis net assets beginning of year	983,406	979,992
Cash basis net assets end of year	\$ 1,085,074	983,406

In fiscal 2007, operating receipts decreased \$6,334, or 1.2%, from fiscal 2006. Operating disbursements decreased \$62,150, or 12.1%, from fiscal 2006. The decrease was primarily due to professional services related to Subtitle D compliance in fiscal 2006.

The largest portion of the ACSL&RC's cash basis net assets, \$839,303 (77%), 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, \$245,771 (23%), 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 \$79,630, or 10%, during the year. The increase was due to additional funds being set aside for closure and postclosure care. Unrestricted cash basis net assets increased \$22,038, or 10%, during the year due to decreases in disbursements.

### **LONG-TERM DEBT**

At June 30, 2007, the ACSL&RC paid off the \$7,966 loan to the Iowa Department of Natural Resources. The loan was 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.

During the year ended June 30, 2007, ACSL&RC entered into two installment purchase agreements for equipment. At June 30, 2007, the balance of the agreements was \$194,260.

### **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&RC's 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 [aclr@wildblue.net](mailto:aclr@wildblue.net) on the internet.

## **Financial Statement**

**Exhibit A**

## 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, 2007

Operating receipts:	
Gate and recycling fees	\$ 435,817
County contributions	32,158
City contributions	62,253
Miscellaneous	592
Total operating receipts	<u>530,820</u>
Operating disbursements:	
Salaries and benefits	150,000
Training and travel	4,146
Insurance	9,847
Maintenance and repair	20,685
Utilities	7,303
Rock	10,177
Operator contract	133,750
Leachate contract	2,500
Household hazard facility contract	8,158
Fuel	8,468
Advertising and supplies	19,116
Professional services	48,496
Tonnage fees	11,234
Disposal costs	12,268
Miscellaneous	4,727
Total operating disbursements	<u>450,875</u>
Excess of operating receipts over operating disbursements	<u>79,945</u>
Non-operating receipts (disbursements):	
Interest on investments	47,833
Land rent	7,063
Equipment	(25,207)
Loan principal	(7,966)
Net non-operating receipts	<u>21,723</u>
Change in cash basis net assets	101,668
Cash basis net assets beginning of year	<u>983,406</u>
Cash basis net assets end of year	<u>\$ 1,085,074</u>
<b>Cash Basis Net Assets</b>	
Restricted for:	
Closure	\$ 281,473
Postclosure care	557,830
Total restricted net assets	<u>839,303</u>
Unrestricted	<u>245,771</u>
Total cash basis net assets	<u>\$ 1,085,074</u>

See notes to financial statement.

Adair County Sanitary Landfill and Recycling Center

Notes to Financial Statement

June 30, 2007

**(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 seven member cities and two representatives from Adair County. The member cities are: 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. 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, 2007 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, 2007, 2006 and 2005 were \$5,665, \$6,238 and \$6,454, 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 the potential 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 \$317,209 for closure and \$417,450 for postclosure, for a total of \$734,659. The estimated remaining life of the landfill is less than a year since the landfill is required to begin using a new cell by October 1, 2007 in order to comply with Iowa Department of Natural Resources requirements.

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 accumulated resources to fund these costs and, at June 30, 2007, assets of \$839,303 are restricted for these purposes, of which \$281,473 is for closure and \$557,830 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, 2007, 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 556 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, 2007 was \$9,847.

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 and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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, 2007, 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.

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 \$11,250 per month.

**(8) Financial Assistance Program Loan**

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. The final two payments totaling \$7,966 were made during the year ended June 30, 2007.

**(9) Installment Purchase Agreements**

During the year ended June 30, 2007, the Center entered into agreements with Zielger, Inc. to purchase a tractor/dozer and a drum roller costing \$195,000 and \$21,400, respectively.

The agreement for the tractor/dozer required a \$20,000 down payment at signing and five annual installments of \$41,780 beginning May 1, 2008. The installment payments include interest at 6.25%. At June 30, 2007, the balance of the agreement was \$175,000.

The agreement for the drum roller required a \$2,140 down payment at signing and five annual installments of \$4,663 beginning June 18, 2008. The installment payments include interest at 6.25%. At June 30, 2007, the balance of the agreement was \$19,260.

**(10) Designated Funds**

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

Purpose	Amount
Planning	\$ 161,294
Equipment	62,529
Total	<u>\$ 223,823</u>

**(11) Pending Litigation**

The Center is subject to a claim filed by a former employee with the Iowa Civil Rights Commission. The probability and amount of loss related to the claim, if any, is undeterminable.

**(12) Construction Commitment**

In May 2007, the Center entered into a construction contract for Phase I expansion project. The adjusted total of the contract is \$300,106. Work on the project began in June 2007, but no payments were made in fiscal year 2007. Payments will be made as work progresses. The project costs are being financed through proceeds from a line of credit with a local bank.

**(13) Subsequent Events**

On July 23, 2007, the Center entered into a commercial real estate line of credit up to \$500,000 through Farmers and Merchants State Bank to finance an expansion project. The line of credit is secured with property owned by the Center. The principal balance of loans advanced plus interest at 5.25% are due at maturity on July 23, 2008.

By October 1, 2007, Iowa solid waste landfills must meet the national Municipal Solid Waste Landfill Criteria for artificial liners under the Resources Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. Non-compliant landfills must implement closure requirements by October 1 2007 for all cells not meeting RCRA Subtitle D liner requirements and construct new cells that are in compliance if they are to continue accepting solid waste for disposal. The Center plans to close all existing cells not in compliance with the requirements and begin using a newly constructed lateral cell by October 1, 2007.



**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, 2007, and have issued our report thereon dated November 16, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Adair County Sanitary Landfill and Recycling Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Adair County Sanitary Landfill and Recycling Center'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Adair County Sanitary Landfill and Recycling Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Adair County Sanitary Landfill and Recycling Center's financial statement that is more than inconsequential will not be prevented or detected by the Adair County Sanitary Landfill and Recycling Center's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Adair County Sanitary Landfill and Recycling Center's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (D) are material weaknesses.

#### Compliance and Other Matters

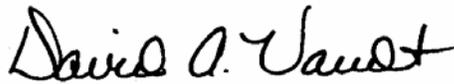
As part of obtaining reasonable assurance about whether the Adair County Sanitary Landfill and Recycling Center's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with 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, 2007 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.

The Adair County Sanitary Landfill and Recycling Center's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Center's responses, we did not audit the Adair County Sanitary Landfill and Recycling Center'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 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 16, 2007

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2007

**Findings Related to the Financial Statement:**

**SIGNIFICANT 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 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 Center hired an outside accountant to balance out month end and do statements for charge accounts.

Conclusion – Response accepted.

- (B) Investments – A detailed investment register was not maintained for the fiscal year. At June 30, 2007, certificates of deposit were understated by \$7,846 due to interest receipts not being recorded. Adjustments were subsequently made to properly record the interest in the Center's financial statement.

Recommendation – A detailed investment register should be maintained by an individual not having custody of the investments. Also, the investment register, including interest receipts, should be periodically reconciled with the accounting records by an independent person.

Response – A register will be maintained and reconciled quarterly.

Conclusion – Response accepted.

- (C) Manual Receipts – During fiscal 2007, the Center issued manual receipts for collections when the Center's computer system was not functioning. However, the receipts were not prenumbered.

Recommendation – Pre-numbered receipts should be issued and accounted for.

Response – The computer system was down in FY 07. Now we have pre-numbered hand receipts if the system goes down again.

Conclusion – Response accepted.

- (D) Reconciliation of Billings and Collections – A reconciliation of customer billings, collections and receivables was not prepared monthly by the Center.

Recommendation – Procedures should be established to reconcile customer billings, collections and receivables each month.

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2007

Response – We prepared a reconciliation for June 2007 as requested by the auditor.  
Our accountant will prepare the reconciliations each month as recommended.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2007

**Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Disbursements – No disbursements 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 disbursements of Center money for travel expenses of spouses of Center officials or employees were noted.
- (3) Center Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The names and gross salaries of regular employees were not published annually as required by Chapter 28E.6 the Code of Iowa.

Recommendation – Employee gross salaries should be published annually as required.

Response – We will follow Chapter 28E.6.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Center's investment policy were noted.
- (5) Retained Fees – During the year ended June 30, 2007, the Center used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa, except as noted:

Tonnage fees retained were not properly deposited in the Center's separate savings account.

Recommendation – Tonnage fees should be retained and deposited in the established savings account as required by the Code of Iowa.

Response – The amount has now been deposited into the savings account.

Conclusion – Response accepted.

- (6) Sales Tax Collections – Sales tax was not collected from a commercial entity and remitted to the Iowa Department of Revenue as required by Chapters 423.2 and 423.3 of the Code of Iowa.

Recommendation – The Center should collect sales tax from all commercial entities and remit the tax to the Iowa Department of Revenue. Also, the Center should contact the Iowa Department of Revenue to determine the action needed to collect sales tax on previous sales where sales tax was not properly charged.

Response – The Iowa Department of Revenue was contacted to determine who should pay sales tax. We will look into the collection of sales tax on prior sales and comply, if required.

Conclusion – Response accepted.

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2007

- (7) Outside Services – In 2006, the Center did not issue Internal Revenue Service Form 1099 for outside services exceeding \$600.

Recommendation – The Center should ensure 1099 forms are completed and filed as required.

Response – This years 1099’s will be issued.

Conclusion – Response accepted.

- (8) Public Hearing on Public Improvement – The Center did not publish notice of the public hearing for the landfill expansion project as required by Chapter 26.12 of the Code of Iowa.

Recommendation – The Center should publish notice of public hearings as required.

Response – We were unaware of the requirement for publishing notice of the hearing but will comply in the future.

Conclusion – Response accepted.

- (9) Financial Assurance – The Center has elected to demonstrate financial assurance for closure and postclosure care 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	\$ 317,209	417,450
Less: Balance of funds held in the local dedicated fund at June 30, 2006	268,608	(491,065)
	48,601	(73,615)
Divided by the number of years remaining in the pay-in period	÷	1
Required payment into the local dedicated fund for the year ended June 30, 2007	48,601	(73,615)
Balance of funds held in the local dedicated fund at June 30, 2006	268,608	491,065
Required balance of funds to be held in the local dedicated fund at June 30, 2007	\$ 317,209	417,450
Amount Center has restricted for closure and postclosure care at June 30, 2007	\$ 281,473	557,830

Although the total of the Center’s restricted funds exceed the required balances, the closure fund is deficient by \$35,736.

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2007

Recommendation – The Center should adjust the funds held for the closure account to meet the required balance.

Response – Post closure had too much, closure not enough. We will reclassify one CD from post closure to closure.

Conclusion – Response accepted.

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Adair County Sanitary Landfill and Recycling Center

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Heather L. Templeton, Senior Auditor  
Bill Hansen, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State