



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

December 1, 2008

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Auditor of State David A. Vaudt today released an audit report on the Hardin County Sanitary Solid Waste Disposal Commission.

The Commission had total revenues of \$1,587,612 for the year ended June 30, 2008, a 4 percent increase over the prior year. Revenues included gate fees of \$685,435, county and city assessments of \$485,432 and recycling sales of \$221,956.

Expenses totaled \$1,447,871 for the year ended June 30, 2008, a 2.5 percent increase over the prior year, and included \$659,573 for landfill operations, \$382,224 for salaries and benefits and \$155,328 for depreciation.

This report contains recommendations to Commission officials to improve controls over accounts receivable billings, cash and disbursements by segregating accounting duties to the extent possible. The Commission has responded favorably to the recommendations.

A copy of the audit report is available for review at the Hardin County Sanitary Solid Waste Disposal Commission's office, 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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**HARDIN COUNTY SANITARY
SOLID WASTE DISPOSAL COMMISSION**

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

JUNE 30, 2008

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Hardin County Sanitary Solid Waste Disposal Commission

Officials

After January 2008

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|----------------|------------------|------------------------|
| Jody Anderson | Chairperson | City of Iowa Falls |
| Lance Meyer | Member | City of Ackley |
| Steve Hunt | Member | City of Alden |
| Don Bahr | Member | City of Buckeye |
| Bob Jeske | Member | City of Eldora |
| Ken Wennekamp | Member | City of Hubbard |
| John Hackbarth | Member | City of Owasa |
| Brad Fjelland | Member | City of Radcliffe |
| Jeff Risius | Member | City of Steamboat Rock |
| Todd Pekarek | Member | City of Union |
| Ed Bear | Member | Hardin County |
| Joe Knight | Interim Director | |
| Dan Astrup | Interim Director | |
| Ron Reece | Director/Member | City of New Providence |

Hardin County Sanitary Solid Waste Disposal Commission



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Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Members of the Hardin County
Sanitary Solid Waste Disposal Commission:

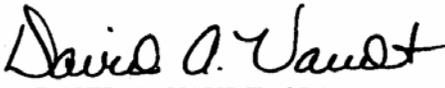
We have audited the accompanying financial statements of the Hardin County Sanitary Solid Waste Disposal Commission as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardin County Sanitary Solid Waste Disposal Commission at June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2008 on our consideration of the Hardin County Sanitary Solid Waste Disposal Commission'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 7 through 10 is not a required part of the basic financial statements, 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 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

October 22, 2008

Hardin County Sanitary Solid Waste Disposal Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Hardin County Sanitary Solid Waste Disposal Commission 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, 2008. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 1.4%, or \$20,193, from fiscal 2007 to fiscal 2008. Gate fees decreased and recycling sales increased. County and city assessments stayed the same.
- The Commission's operating expenses increased 2.5%, or \$34,781, from fiscal 2007 to fiscal 2008.
- The Commission's net assets increased 8.1%, or \$139,741, from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The Hardin County Sanitary Solid Waste Disposal Commission 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 Hardin County Sanitary Solid Waste Disposal Commission'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 Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission'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 Commission's cash and cash equivalents during the year. This information can assist users of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2008 totaled \$1,857,471. This compares to \$1,717,730 at the end of fiscal 2007. A summary of the Commission's net assets is presented below.

| | Net Assets | |
|---|---------------------|------------------|
| | June 30, | |
| | 2008 | 2007 |
| Current assets | \$ 961,185 | 914,185 |
| Capital assets at cost, less accumulated depreciation | 1,164,956 | 1,111,900 |
| Total assets | <u>2,126,141</u> | <u>2,026,085</u> |
| Current liabilities | 163,206 | 114,535 |
| Noncurrent liabilities | 105,464 | 193,820 |
| Total liabilities | <u>268,670</u> | <u>308,355</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 993,363 | 858,038 |
| Unrestricted | <u>864,108</u> | <u>859,692</u> |
| Total net assets | <u>\$ 1,857,471</u> | <u>1,717,730</u> |

The portion of net assets invested in capital assets (e.g., land, buildings and equipment), less the related debt are resources allocated to capital assets. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations and needs as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are from gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, interest expense and gains or losses resulting from the sale of capital assets. 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. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2008 and 2007 is presented below:

| Changes in Net Assets | | |
|---|---------------------|------------------|
| | Year ended June 30, | |
| | 2008 | 2007 |
| Operating revenues: | | |
| Gate fees | \$ 685,435 | 738,816 |
| County and city assessments | 485,432 | 485,430 |
| Recycling sales | 221,956 | 183,034 |
| Other operating revenues | 20,168 | 25,904 |
| Total operating revenues | <u>1,412,991</u> | <u>1,433,184</u> |
| Operating expenses: | | |
| Payments to Rural Iowa Waste Management Association for landfill operations | 659,573 | 641,706 |
| Recycling Center: | | |
| Contract hauling | 15,995 | 18,785 |
| Marketing recycling materials | 23,310 | 50,472 |
| Salaries and benefits | 382,224 | 362,035 |
| Depreciation | 155,328 | 126,091 |
| Landfill maintenance | 72,434 | 91,448 |
| Professional and legal fees | 46,243 | 10,239 |
| Insurance | 36,831 | 50,384 |
| Telephone and utilities | 40,126 | 41,785 |
| Office operations | 6,787 | 6,842 |
| Advertising and recycling promotion | 2,143 | 606 |
| Tire recycling | 953 | 3,581 |
| Uniforms | 972 | 908 |
| Miscellaneous | 4,952 | 8,208 |
| Total operating expenses | <u>1,447,871</u> | <u>1,413,090</u> |
| Operating income (loss) | <u>(34,880)</u> | <u>20,094</u> |
| Non-operating revenues: | | |
| Interest income | 27,114 | 46,958 |
| Bond settlement | 115,196 | - |
| Gain on sale/disposal of capital assets | 32,311 | 45,696 |
| Net non-operating revenues | <u>174,621</u> | <u>92,654</u> |
| Increase in net assets | 139,741 | 112,748 |
| Net assets beginning of year | <u>1,717,730</u> | <u>1,604,982</u> |
| Net assets end of year | <u>\$ 1,857,471</u> | <u>1,717,730</u> |

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2008, operating revenues decreased \$20,193, or 1.4%, primarily a result of gate fees decreasing \$53,381 due to a decrease in landfill operations while recycling sales increased \$38,922 due to increased prices on sales of recyclable materials. Operating expenses increased \$34,781, or 2.5%. The increase was primarily due to an increase in landfill operations of \$17,867 and an increase in depreciation of \$29,237.

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 used for capital and related financing activities includes loan payments, the purchase of capital assets and insurance proceeds for a packer truck destroyed by fire. Cash provided by investing activities includes proceeds from the redemption of certificates of deposits and interest income, reduced by the purchase of certificates of deposit.

CAPITAL ASSETS

At June 30, 2008, the Commission had \$1,164,956 invested in capital assets, net of accumulated depreciation of \$1,187,146. Depreciation charges totaled \$155,328 for fiscal 2008. More detailed information about the Commission’s capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2008, the Commission had \$171,593 in long-term debt outstanding, a decrease of \$82,270 from June 30, 2007. The table below summarizes outstanding debt by type.

| | June 30, | |
|---|-------------------|----------------|
| | 2008 | 2007 |
| Iowa Department of Natural Resources loan | \$ 154,593 | 224,862 |
| Contract payable | 17,000 | 29,000 |
| Total | <u>\$ 171,593</u> | <u>253,862</u> |

Additional information about the Commission’s long-term debt is presented in Notes 5 and 6 to the financial statements.

ECONOMIC FACTORS

The Commission has improved its financial position during the current fiscal year, compared to 2007. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

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

CONTACTING THE COMMISSION’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Commission’s finances and to show the Commission’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hardin County Sanitary Solid Waste Disposal Commission, P.O. Box 425, Eldora, Iowa 50627-1699.

Basic Financial Statements

Exhibit A

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Net Assets

June 30, 2008

Assets

Current assets:

| | |
|----------------------|----------------|
| Cash | \$ 585,361 |
| Investments | 260,000 |
| Receivables: | |
| Accounts | 76,724 |
| Accrued interest | 7,609 |
| Prepaid insurance | 31,491 |
| Total current assets | <u>961,185</u> |

Noncurrent assets:

| | |
|---|-------------------------|
| Capital assets, net of accumulated depreciation | <u>1,164,956</u> |
| Total assets | <u><u>2,126,141</u></u> |

Liabilities

Current liabilities:

| | |
|---|----------------|
| Accounts payable | 87,814 |
| Salaries and benefits payable | 3,781 |
| Current portion of: | |
| Compensated absences | 2,396 |
| Iowa Department of Natural Resources loan | 56,215 |
| Contract payable | 13,000 |
| Total current liabilities | <u>163,206</u> |

Noncurrent liabilities:

| | |
|---|-----------------------|
| Compensated absences | 3,086 |
| Iowa Department of Natural Resources loan | 98,378 |
| Contract payable | 4,000 |
| Total noncurrent liabilities | <u>105,464</u> |
| Total liabilities | <u><u>268,670</u></u> |

Net Assets

| | |
|---|----------------------------|
| Invested in capital assets, net of related debt | 993,363 |
| Unrestricted | 864,108 |
| Total net assets | <u><u>\$ 1,857,471</u></u> |

See notes to financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2008

| | |
|--|---------------------|
| Operating revenues: | |
| Gate fees | \$ 685,435 |
| County and city assessments | 485,432 |
| Recycling sales | 221,956 |
| Other operating revenues | 20,168 |
| Total operating revenues | <u>1,412,991</u> |
| Operating expenses: | |
| Payments to Rural Iowa Waste Management Association for landfill operations | 659,573 |
| Recycling Center: | |
| Contract hauling | 15,995 |
| Marketing recycling materials | 23,310 |
| Salaries and benefits | 382,224 |
| Depreciation | 155,328 |
| Landfill maintenance | 72,434 |
| Travel and training | 731 |
| Professional and legal fees | 46,243 |
| Insurance | 36,831 |
| Telephone and utilities | 40,126 |
| Office operations | 6,787 |
| Advertising and recycling promotion | 2,143 |
| Tire recycling | 953 |
| Equipment repair | 319 |
| Uniforms | 972 |
| Miscellaneous | 3,902 |
| Total operating expenses | <u>1,447,871</u> |
| Operating loss | <u>(34,880)</u> |
| Non-operating revenues: | |
| Interest income | 27,114 |
| Insurance recovery | 115,196 |
| Gain on sale of capital assets | 32,311 |
| Net non-operating revenues | <u>174,621</u> |
| Change in net assets | 139,741 |
| Net assets beginning of year | <u>1,717,730</u> |
| Net assets end of year | <u>\$ 1,857,471</u> |

See notes to financial statements.

Exhibit C

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Cash Flows

Year ended June 30, 2008

| | |
|---|--------------------|
| Cash flows from operating activities: | |
| Cash received from gate fees | \$ 674,572 |
| Cash received from assessments | 485,432 |
| Cash received from recycling and other operating revenues | 242,124 |
| Cash paid to suppliers for goods and services | (955,322) |
| Cash paid to employees for services | (311,635) |
| Net cash provided by operating activities | <u>135,171</u> |
| Cash flows from non-capital financing activities | |
| Cash received from insurance recovery | <u>115,196</u> |
| Cash flows from capital and related financing activities: | |
| Principal paid on long-term debt | (82,269) |
| Purchase of capital assets | (209,573) |
| Proceeds from sale of capital assets | 33,500 |
| Net cash used for capital and related financing activities | <u>(258,342)</u> |
| Cash flows from investing activities: | |
| Proceeds from redemption of certificates of deposit | 528,000 |
| Purchase of certificates of deposit | (260,000) |
| Interest received | 38,668 |
| Net cash provided by investing activities | <u>306,668</u> |
| Net increase in cash and cash equivalents | 298,693 |
| Cash and cash equivalents beginning of year | <u>286,668</u> |
| Cash and cash equivalents end of year | <u>\$ 585,361</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | <u>\$ (34,880)</u> |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 155,328 |
| Changes in assets and liabilities: | |
| (Increase) in accounts receivable | (10,863) |
| (Increase) in prepaid expense | (16,998) |
| (Decrease) in compensated absences | (12,074) |
| Increase in accounts payable | 54,292 |
| (Increase) in salaries and benefits payable | 366 |
| Total adjustments | <u>170,051</u> |
| Net cash provided by operating activities | <u>\$ 135,171</u> |

See notes to financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The Hardin County Sanitary Solid Waste Disposal Commission was formed in 1971 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Commission was established for the purposes of developing, operating, maintaining and providing services in connection with a solid waste disposal facility for the units of government which are parties to the agreement. The participating units of government include the cities of Ackley, Alden, Buckeye, Eldora, Hubbard, Iowa Falls, New Providence, Owasa, Radcliffe, Steamboat Rock and Union and Hardin County.

The Commission may cooperate, contract with and accept and expend funds from federal, state or local agencies, public or semi-public, private individuals or corporations, and may carry out such cooperative undertakings and contracts as provided by law.

The Commission is composed of one representative and one alternate from each participating unit of government to be designated by that government. The Commission utilizes a vote based on one vote for each governmental unit.

The Commission'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 Hardin County Sanitary Solid Waste Disposal Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial 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 Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Hardin County Sanitary Solid Waste Disposal Commission has no component units which meet the Governmental Accounting Standards Board criteria.

The Commission is a member of the Rural Iowa Waste Management Association (RIWMA), a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. The Association is composed of one member from each of the following three Commissions/Authorities: Hardin County Sanitary Solid Waste Disposal Commission, Butler County Solid Waste Commission and Wright County Area Landfill Authority. The purpose of the Commission is to effectively provide for the sanitary disposal of solid waste within the boundaries of Butler and Hardin Counties through the joint operation of a landfill site and the initiation of such other solid waste reduction or recycling programs as the Commissions/Authorities deem necessary and beneficial to the citizens they serve.

RIWMA is responsible for sanitary landfill activities. The responsibilities for hazardous waste, waste reduction, special waste and education under the Environmental Protection Act remain with each separate Commission/Authority.

In July 1994, the Hardin County Sanitary Solid Waste Disposal Commission transferred to RIWMA, under quit claim deed, its interest in the sanitary landfill and the compost facility. Upon transfer of the landfill property, RIWMA became primarily responsible for all future commitments and liabilities associated with the landfill and its operation under the permit issued in December 1994.

B. Basis of Presentation

The accounts of the Commission 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 Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

D. Assets, Liabilities and Net Assets

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

Cash, Investments and Cash Equivalents – The Commission 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. Cash investments not meeting the definition of cash equivalents at June 30, 2008 include certificates of deposit of \$260,000.

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

| Asset Class | Amount |
|----------------------------------|----------|
| Land, buildings and improvements | \$25,000 |
| Equipment and vehicles | 500 |

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

| Asset Class | Estimated Useful lives (In Years) |
|----------------------------|-----------------------------------|
| Buildings and improvements | 20 |
| Equipment and vehicles | 3-10 |

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, 2008.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The Commission’s liability for accumulated vacation and sick leave has been computed based on rates of pay in effect at June 30, 2008.

(2) Cash and Investments

The Commission’s deposits in banks at June 30, 2008 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 Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

The Commission 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 3.90% of their annual covered salary and the Commission is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$14,118, \$14,278 and \$14,151, respectively, equal to the required contribution for each year.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 100,000 | - | - | 100,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,257,973 | - | - | 1,257,973 |
| Equipment and vehicles | 945,343 | 209,573 | 160,787 | 994,129 |
| Total capital assets being depreciated | 2,203,316 | 209,573 | 160,787 | 2,252,102 |
| Less accumulated depreciation for: | | | | |
| Buildings | 470,415 | 62,899 | - | 533,314 |
| Equipment and vehicles | 721,001 | 92,429 | 159,598 | 653,832 |
| Total accumulated depreciation | 1,191,416 | 155,328 | 159,598 | 1,187,146 |
| Total capital assets being depreciated, net | 1,011,900 | 54,245 | 1,189 | 1,064,956 |
| Total capital assets, net | \$ 1,111,900 | 54,245 | 1,189 | 1,164,956 |

(5) Iowa Department of Natural Resources Loan

During the year ended June 30, 2001, the Commission was awarded an interest-free loan totaling \$562,154 for expansion of the recycling center from the Iowa Department of Natural Resources (DNR). The loan is to be repaid over a ten year period. The loan requires quarterly payments of \$14,054 beginning on July 15, 2001 and ending on April 15, 2011. At June 30, 2008, the loan balance owed to DNR was \$154,593, due as follows:

| Year Ending June 30, | Principal |
|----------------------------|------------|
| 2009 | \$ 42,161 |
| 2010 | 56,215 |
| 2011 | 56,217 |
| Total | \$ 154,593 |

Payments under this agreement for the year ended June 30, 2008 totaled \$70,269.

(6) Contract Payable

On October 30, 2001, the Hardin County Sanitary Solid Waste Disposal Commission approved an agreement for \$100,000 to acquire real estate. The agreement requires monthly payments of \$1,000, interest-free, from July 1, 2001 to October 1, 2009. At June 30, 2008, the balance owed to the Rural Iowa Waste Management Association was \$17,000, which includes a delinquent installment of \$1,000 that was paid in July 2008.

| <u>Year</u> <u>Ending</u> <u>June 30,</u> | <u>Principal</u> |
|---|------------------|
| 2009 | \$ 13,000 |
| 2010 | 4,000 |
| Total | <u>\$ 17,000</u> |

(7) Contingent Liabilities

Closure and Postclosure Care

To comply with federal and state regulations, the Hardin County Sanitary Solid Waste Disposal Commission is required to complete a monitoring system plan and a closure/postclosure care plan and 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 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 costs consist 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.

Upon transfer of the landfill property to the Rural Iowa Waste Management Association (RIWMA), RIWMA became primarily responsible for all future commitments and liabilities associated with the landfill and its operation. However, according to the Commission's attorney, neither 28E provisions nor Commission resolutions can alter the legal responsibility of any prior owners of landfill sites with regard to the above EPA requirements. Accordingly, the Hardin County Sanitary Solid Waste Disposal Commission remains contingently liable for the closure and postclosure care costs. At June 30, 2008, these costs are estimated at \$1,703,100 and a total of \$966,669 has been accrued by RIWMA to cover these costs.

(8) Risk Management

The Hardin County Sanitary Solid Waste Disposal Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 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 200 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 contributions.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's contribution to the Pool for the year ended June 30, 2008 was \$25,009.

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 \$10,000,000 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. The Commission 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, 2008, no liability has been recorded in the Commission's financial statements. As of June 30, 2008, 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 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. The Commission assumes responsibility for workers compensation and employee blanket bond claims in excess of \$500,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Special Investigation

The Office of Auditor of State performed a special investigation of the Hardin County Sanitary Solid Waste Disposal Commission (Commission) for the period January 1, 2002 through December 31, 2007. The special investigation report dated February 20, 2008 identified \$127,931 of undeposited collections and improper and unsupported disbursements for the period January 1, 2002 through December 31, 2007, of which \$5,605 was for the year ended June 30, 2008. The Commission applied for and on June 19, 2008 received \$115,196 from its bonding company as payment for a portion of the loss identified by the special investigation.

Hardin County Sanitary Solid Waste Disposal Commission



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STATE OF IOWA

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Auditor of State

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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 Hardin County Sanitary
Solid Waste Disposal Commission:

We have audited the accompanying financial statements of the Hardin County Sanitary Solid Waste Disposal Commission as of and for the year ended June 30, 2008 and have issued our report thereon dated October 22, 2008. 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 Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Sanitary Solid Waste Disposal Commission'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, including 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 Hardin County Sanitary Solid Waste Disposal Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Hardin County Sanitary Solid Waste Disposal Commission's financial statements that is more than inconsequential will not be prevented or detected by the Hardin County Sanitary Solid Waste Disposal Commission'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 statements will not be prevented or detected by the Hardin County Sanitary Solid Waste Disposal Commission'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 (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Sanitary Solid Waste Disposal Commission'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 an instance of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Hardin County Sanitary Solid Waste Disposal Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Hardin County Sanitary Solid Waste Disposal Commission's responses and, accordingly, we express no opinion on them.

A special investigation of the Hardin County Sanitary Solid Waste Disposal Commission was performed by the Office of Auditor of State and a report dated February 20, 2008 was issued covering the period January 1, 2002 through December 31, 2007 relating to undeposited collections and improper and unsupported disbursements. The special investigation also includes additional recommended control procedures. See Note 9 to the financial statements.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Hardin County Sanitary Solid Waste Disposal Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Hardin County Sanitary Solid Waste Disposal Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 22, 2008

Hardin County Sanitary Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal controls, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Commission's financial statements. Generally, one or two individuals may have control over the following areas for which no compensating controls exist: accounts receivable, billings, opening mail, handling and recording cash, bank deposits, disbursements, reconciling bank balances to the Commission's records and the custody and recordkeeping of certificates of deposit.

Recommendation – We realize segregation of duties is difficult with limited number of office employees. However, the Commission should segregate duties to the extent possible with existing personnel and utilize Commission members to provide additional control through review of financial transactions, reconciliations and reports.

Response – The Hardin County Solid Waste Commission has segregated duties to a minimum of two people. This applies to reconciliations and the cash drawer for landfill receipts. Other financial business such as opening mail, the processing of deposits and the actual deposit are handled by a minimum of three people.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of depreciation expense, accumulated depreciation and capital asset additions not initially reported in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

Recommendation – The Commission should implement procedures to ensure depreciation expense, accumulated depreciation and capital asset additions are identified and included in the Commission's financial statements.

Response – The Commission will set a minimum value of \$1,500 on any capital asset to be depreciated. In addition the amount of time over which an asset is depreciated will be determined. Additions and deletions will be processed through our accounting firm on a regular basis.

Conclusion – Response accepted.

Hardin County Sanitary Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2008

INSTANCES OF NON-COMPLIANCE:

A special investigation of the Hardin County Sanitary Solid Waste Disposal Commission was performed by the Office of Auditor of State and a report dated February 20, 2008 was issued covering the period January 1, 2002 through December 31, 2007 relating to undeposited collections and improper and unsupported disbursements. See Note 9 to the financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

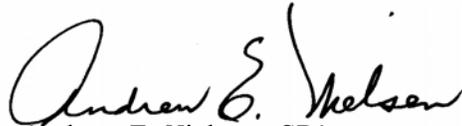
- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion date April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission’s investment policy were noted.

Hardin County Sanitary Solid Waste Disposal Commission

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Billie Jo Heth, Senior Auditor II
Melissa J. Knoll-Speer, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State