OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Andy Nielsen
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FOR RELEASE December 19, 2008

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 $991,452 during the year ended June 30, 2008, a 69 percent increase over 2007. The receipts included county and city contributions of $92,960, gate and recycling fees of $401,567 and loan proceeds of $404,127.

Disbursements for the year totaled $1,116,770, a 131 percent increase over the prior year, and included $139,400 for salaries and benefits, $136,651 for solid waste operator contractor fees and $369,392 for a new cell.

The significant increase in total receipts and disbursements for the year was due primarily to loan proceeds received and disbursed for the construction of a new cell and loan and installment purchase agreement payments. Fuel costs, legal fees and maintenance and repair costs also increased significantly.

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, 2008

Table of Contents

Adair County Sanitary Landfill and Recycling Center

Officials

Name	Title	Representing
Kim Avey	Chair	City of Menlo
Pat Glassell	Vice-Chair	City of Fontanelle
Chuck Avey	Member	City of Stuart
Pat Keating	Member	City of Casey
John Twombly	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 Bridgewater
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, 2008. 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, 2008, 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 5, 2008 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 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Adair County Sanitary Landfill and Recycling Center (ACSL&RC) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the ACSL&RC is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the financial statement, which follows.

2008 FINANCIAL HIGHLIGHTS

- Operating receipts decreased .3%, or approximately $1,000, from fiscal 2007 to fiscal 2008.
- Operating disbursements increased 24.6%, or approximately $111,000, from fiscal 2007 to fiscal 2008.
- Cash basis net assets decreased 11.5%, or approximately $125,000, from June 30, 2007 to June 30, 2008.

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, construction costs, loan proceeds and principal and interest payments on loans and installment purchase agreements. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2008 and June 30, 2007 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2008	2007
Operating receipts:		
Gate and recycling fees	$ 401,567	435,817
County contributions	33,562	32,158
City contributions	59,398	62,253
Miscellaneous	34,904	592
Total operating receipts	529,431	530,820
Operating disbursements:		
Salaries and benefits	139,400	150,000
Operator contract	136,651	133,750
Other	285,637	167,125
Total operating disbursements	561,688	450,875
Excess (deficiency) of operating receipts over (under) operating disbursements	(32,257)	79,945
Non-operating receipts (disbursements):		
Interest on investments	46,610	47,833
Land rent	11,284	7,063
Loan proceeds	404,127	-
Equipment	(34,247)	(25,207)
New cell construction	(369,392)	-
Loan principal	(105,000)	(7,966)
Principal on installment purchase agreements	(34,879)	-
Interest on installment purchase agreements	(11,564)	-
Net non-operating receipts (disbursements)	(93,061)	21,723
Net change in cash basis net assets	(125,318)	101,668
Cash basis net assets beginning of year	1,085,074	983,406
Cash basis net assets end of year	$ 959,756	1,085,074
Cash Basis Net Assets		
Restricted for:		
Closure	$ 601,866	281,473
Postclosure care	331,187	557,830
Tonnage fees retained	5,453	-
Total restricted net assets	938,506	839,303
Unrestricted	21,250	245,771
Total cash basis net assets	$ 959,756	1,085,074

In fiscal 2008, operating receipts decreased $1,389, or .3%, from fiscal 2007. Operating disbursements increased $110,813, or 24.6%, from fiscal 2007. The increase was primarily due to professional services related to Subtitle D compliance, fuel costs, legal fees and maintenance and repair costs.

The largest portion of the ACSL&RC's cash basis net assets, $938,506 (98%), 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, $21,250 (2%), 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 $99,203, or 11.8%, during the year. The increase was due to additional funds being set aside for closure and postclosure care. Unrestricted cash basis net assets decreased $224,521, or 91%, during the year due to increases in disbursements and payments made on loan and installment purchase agreements.

LONG-TERM DEBT

During the year ended June 30, 2008, the ACSL&RC received $404,127 in loan proceeds to construct a new cell. At June 30, 2008, the loan balance was $299,127. In addition, the balance on two installment purchase agreements was $159,881.

ECONOMIC FACTORS

ACSL&RC's cash basis financial position declined during the current fiscal year. 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.
- Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates.
- Fuel prices continue to impact the expenses for the Center's recycling routes.
- Declining interest rates effect interest revenue.
- Since the life of the new cell is less than was previously projected, the Center will be evaluating whether additional expansion will be planned or if the Center will create a transfer station.

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 on the internet.

Financial Statement

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, 2008

Operating receipts:	
Gate and recycling fees	$ 401,567
County contributions	33,562
City contributions	59,398
Miscellaneous	34,904
Total operating receipts	529,431
Operating disbursements:	
Salaries and benefits	139,400
Training and travel	4,419
Insurance	17,668
Maintenance and repair	35,834
Utilities	8,301
Rock	11,330
Operator contract	136,651
Leachate contract	8,339
Household hazard facility contract	7,954
Fuel	17,266
Advertising and supplies	14,874
Professional services	126,153
Tonnage fees	17,013
Disposal costs	9,796
Miscellaneous	6,690
Total operating disbursements	561,688
Deficiency of operating receipts under operating disbursements	(32,257)
Non-operating receipts (disbursements):	
Interest on investments	46,610
Land rent	11,284
Loan proceeds	404,127
Equipment	(34,247)
New cell construction	(369,392)
Loan principal	(105,000)
Principal on installment purchase agreements	(34,879)
Interest on installment purchase agreements	(11,564)
Net non-operating receipts (disbursements)	(93,061)
Change in cash basis net assets	(125,318)
Cash basis net assets beginning of year	1,085,074
Cash basis net assets end of year	$ 959,756
Cash Basis Net Assets	
Restricted for:	
Closure	$ 601,866
Postclosure care	331,187
Tonnage fees retained	5,453
Total restricted net assets	938,506
Unrestricted	21,250
Total cash basis net assets	$ 959,756

See notes to financial statement.

(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, 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 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 3.90% of their annual covered salary and the Center is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Center's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were $5,761, $5,665 and $6,238, 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 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 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 $761,827 for closure and $651,511 for postclosure, for a total of $1,413,338. The Center opened up a new cell during fiscal year 2008. The estimated remaining life of the landfill is 10 years.

Chapter 455B.306(9)(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, 2008, assets of $933,053 are restricted for these purposes, of which $601,866 is for closure and $331,187 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 567-113.14 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, 2008, the unspent tonnage fees retained by the Center and restricted for the required purposes totaled $5,453.

(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 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 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, 2008 was $17,208.

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. 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 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 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. The contract was amended to allow an additional $1,651 be paid for fuel costs for the year ended June 30, 2008.

(8) Commercial Real Estate Line of Credit

On July 23, 2007, the Center entered into a commercial real estate line 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% per annum were originally due at maturity on July 23, 2008. However, the maturity was extended to August 27, 2009. During the year ended June 30, 2008, the Center received loan proceeds of $404,127 and repaid principal of $105,000 on the loan. At June 30, 2008 the balance remaining on the loan is $299,127.

(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% per annum. At June 30, 2008, the balance of the agreement was $143,815.

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% per annum. At June 30, 2008, the balance of the agreement was $16,066.

During the year ended June 30, 2008, the Center paid $46,443 under the agreements.

(10) Designated Funds

The Center maintains designated funds in separate savings accounts which are identified for specific purposes, as follows:

Purpose	Amount
Recycling	$ 9,077
Equipment	2,631
Total	$ 11,708

(11) Compensated Absences

Center employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Accumulated sick leave is paid at 30%, not to exceed 90 days, upon retirement. These accumulations are not recognized as disbursements by the Center until used or paid. The Center's approximate liability for earned vacation at June 30, 2008 was $4,600. This liability has been computed based on rates of pay in effect at June 30, 2008.

(12) Related Party Transaction

During the year ended June 30, 2008, the Center paid $287,306 to Lamb Construction and $45,616 to Lamb Tiling which are related party transactions since the owner is the son of Board Member Bill Lamb. In accordance with the Center's conflict of interest policy, the transactions do not appear to represent conflicts of interest since competitive bids were obtained and Bill Lamb did not participate in the awarding of the contract.

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 a Financial Statement 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, 2008, and have issued our report thereon dated November 5, 2008. 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, 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 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, 2008 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

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 5, 2008

Findings Related to the Financial Statement:

SIGNIFICANT DEFICIENCIES:

(A) Financial Reporting – Loan proceeds received and principal and interest payments for the Center's commercial real estate line of credit and installment purchase agreements were not properly reflected on the Center's general ledger on the cash basis of accounting. The proceeds and payments were recorded in liability accounts so the activity was not reflected as receipts or disbursements.

Recommendation – Since the Center reports on the cash basis of accounting, all receipts and disbursements should be appropriately recorded on the Center's general ledger.

Response – In the future we will use cash basis of accounting at year end instead of accrual.

Conclusion – Response accepted.

(B) Payroll – Timesheets or other leave records were not completed by the Director to track vacation and sick leave hours earned and used. Also, employee timecards lacked supervisor approval and payroll registers did not include documentation of an independent review.

Recommendation – A timecard or other leave record should be completed and signed by the Director and independently reviewed and approved to ensure vacation and sick leave hours are properly tracked. Timecards should be reviewed and approved by a supervisor. In addition, documentation of an independent review of payroll registers should be maintained.

Response – Leave records will be completed by the Director and independently reviewed. A Board member is now approving all timecards. The payroll registers will include the initials of an independent reviewer.

Conclusion – Response accepted.

(C) Scale Receipts – One scale receipt which was voided could not be located. In addition, the reason for void scale tickets is not identified or documented.

Recommendation – Voided scale tickets should be retained and the reason documented.

Response – The voided receipts will be retained and documented as to why they are voided.

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.

Response – The accounts receivable is reviewed each month before statements are prepared, but a report will be prepared from now on.

Conclusion – Response accepted.

(E) Disbursements – One mileage claim tested lacked adequate support. The dates and reasons for the travel were not recorded on the claim. In addition, the supporting documentation for twenty of the twenty-four claims tested was not properly cancelled.

Recommendation – Adequate supporting documentation should be maintained for mileage claims and the claims should be properly cancelled to prevent reuse.

Response – Mileage claims will show reasons in the future and all claims will be cancelled.

Conclusion – Response accepted.

(F) Check Preparation – Two checks issued by the Center and cleared by the bank lacked the date and payee.

Recommendation – Prior to signing checks, check signers should ensure checks are properly completed and the payee on checks agrees with the supporting documentation.

Response – In the future, we will make sure all information is entered on checks.

Conclusion – Response accepted.

(G) Cash and Deposits – At the time of the cash count, the change fund was $36 short. Also, a deposit in transit posted to the general ledger on June 27, 2008 for $23 could not be traced to bank deposit.

Recommendation – The change fund and deposits should be reconciled daily and all receipts deposited timely.

Response – The Center handles large amounts of cash and discrepancy throughout the entire year of $36 is within a reasonable range. The deposit in transit should have been voided.

Conclusion – Response acknowledged. Variances in the change fund should be investigated and resolved timely.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Disbursements – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Fareway	Ham and Cheddarwurst for employee Christmas gifts	$ 134

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Center should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Center should establish written policies and procedures, including the requirements for proper documentation.

Response – The items were Christmas gifts for employee morale. The money used to purchase the items was taken from the pop fund which is generated from the sale of pop to employees.

Conclusion – Response acknowledged. The Center should determine and document the public purpose of employee gifts before authorizing any further payments.

(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.

Although minutes of the Board were published, documentation of the dates the minutes were furnished to the newspaper were not maintained. Therefore, we were unable to determine if the minutes were furnished within 21 days following the adjournment of the meeting as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Center should maintain documentation of the date the minutes were furnished for publication.

Response – We will keep our emails of when the minutes were sent to the paper.

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 – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

(6) Business Transactions – Business transactions between the Center and Center officials or employees are detailed as follows:

Name, Title and Business Connection	Description	Amount
Lamb Construction, owned and operated by Mike Lamb, son of Board member Bill Lamb	Construction on new cell	$ 287,306
Lamb Tiling, owned and operated by Mike Lamb, son of Board member Bill Lamb	Construction on new cell	45,616

In accordance with the Center's conflict of interest policy, the transactions for the construction of the new cell do not appear to represent conflicts of interest since the Center obtained competitive bids and the related board member did not participate in the awarding of the contract.

(7) 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 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure			
	Cell A	Cell B	Total	Postclosure
Total estimated cost for closure and postclosure care	$ 531,860	229,967	761,827	651,511
Less: Balance of funds held at June 30, 2007, as adjusted for transfers between accounts*	531,860	-		307,443
	-	229,967		344,068
Divided by number of years remaining in pay-in period at beginning of year	1	10		10
Required payment into the local dedicated fund for the year ended June 30, 2008	-	22,997		34,407
Balance of funds held in local dedicated fund at June 30, 2007 as adjusted for transfers between accounts	531,860	-		307,443
Required balance to be held in the local dedicated fund June 30, 2008	$ 531,860	22,997	554,857	341,850
Amount Center has restricted for closure and postclosure care at June 30, 2008			$ 601,866	331,187

* - includes a $250,387 transfer from postclosure account to closure account

Although the total of the Center's restricted funds exceed the required balances, the postclosure care account is deficient by $10,663.

Recommendation – The Center should transfer $10,663 from the funds held for the postclosure care account to the closure account to meet the required balance.

Response – We will make the necessary adjustments.

Conclusion – Response accepted.

Staff

This audit was performed by:

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