



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 5, 2010

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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 \$1,341,082 for the year ended June 30, 2009, a 15.5 percent decrease from the prior year. Revenues decreased due to a decrease in the price of recycled materials and the Commission received an insurance reimbursement in the prior year. Revenues included gate fees of \$713,813, county and city assessments of \$481,480 and recycling sales of \$112,987.

Expenses totaled \$1,380,363 for the year ended June 30, 2009, a 4.7 percent decrease from the prior year, primarily due to reduced payments to the Rural Iowa Waste Management Association because of flooding and tornado debris hauling in the prior year. Expenses included \$621,628 for landfill operations, \$356,524 for salaries and benefits and \$161,294 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 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/index.html>.

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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, 2009

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	7-10
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Assets	A 12
Statement of Revenues, Expenses and Changes in Net Assets	B 13
Statement of Cash Flows	C 14
Notes to Financial Statements	15-21
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 <u>Government Auditing Standards</u>	23-24
Schedule of Findings	25-26
Staff	27

Hardin County Sanitary Solid Waste Disposal Commission

Officials

After January 2009

<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
James Nehring	Member	City of Owasa
Brad Fjelland	Member	City of Radcliffe
Jeff Risius	Member	City of Steamboat Rock
Jim Donaldson	Member	City of Union
Ed Bear	Member	Hardin County
Ron Reece	Director/Member	City of New Providence

Hardin County Sanitary Solid Waste Disposal Commission



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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, 2009. 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, 2009, 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 January 19, 2010 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 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

January 19, 2010

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, 2009. 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 7.1%, or \$100,859, from fiscal 2008 to fiscal 2009. Recycling sales decreased.
- The Commission's operating expenses decreased 4.7%, or \$67,508, from fiscal 2008 to fiscal 2009.
- The Commission's net assets decreased 2.1%, or \$39,281, from June 30, 2008 to June 30, 2009.

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 readers 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 2009 totaled \$1,818,190. This compares to \$1,857,471 at the end of fiscal 2008. A summary of the Commission's net assets is presented below.

Net Assets		
	June 30,	
	2009	2008
Current assets	\$ 854,893	961,185
Capital assets at cost, less accumulated depreciation	1,057,369	1,164,956
Total assets	1,912,262	2,126,141
Current liabilities	87,814	163,206
Noncurrent liabilities	6,259	105,464
Total liabilities	94,072	268,670
Net assets:		
Invested in capital assets, net of related debt	1,057,369	993,363
Unrestricted	760,821	864,108
Total net assets	\$ 1,818,190	1,857,471

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 which 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 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, 2009 and 2008 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2009	2008
Operating revenues:		
Gate fees	\$ 713,813	685,435
County and city assessments	481,480	485,432
Recycling sales	112,987	221,956
Other operating revenues	3,852	20,168
Total operating revenues	<u>1,312,132</u>	<u>1,412,991</u>
Operating expenses:		
Payments to Rural Iowa Waste Management Association for landfill operations	621,628	659,573
Recycling Center:		
Contract hauling	17,750	15,995
Marketing recycling materials	15,104	23,310
Salaries and benefits	356,524	382,224
Depreciation	161,294	155,328
Equipment	4,702	-
Landfill maintenance	72,539	72,434
Professional and legal fees	13,383	46,243
Insurance	44,966	36,831
Telephone and utilities	47,139	40,126
Office operations	4,726	6,787
Advertising and recycling promotion	2,160	2,143
Tire recycling	7,241	953
Equipment repair	6,403	-
Uniforms	1,950	972
Miscellaneous	2,854	4,952
Total operating expenses	<u>1,380,363</u>	<u>1,447,871</u>
Operating income (loss)	<u>(68,231)</u>	<u>(34,880)</u>
Non-operating revenues:		
Interest income	12,670	27,114
Insurance recovery	4,030	115,196
Gain on sale of capital assets	12,250	32,311
Net non-operating revenues	<u>28,950</u>	<u>174,621</u>
Change in net assets	(39,281)	139,741
Net assets beginning of year	<u>1,857,471</u>	<u>1,717,730</u>
Net assets end of year	<u>\$ 1,818,190</u>	<u>1,857,471</u>

In fiscal 2009, operating revenues decreased \$100,859, or 7.1%, primarily a result of recycling income decreasing \$108,969 due to decreased prices for sales of recyclable materials. Operating expenses decreased \$67,508, or 4.7%.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and suppliers. Cash provided by non-capital financing activities include insurance proceeds. Cash used for capital and related financing activities includes loan payments and the purchase and sale of capital assets. Cash provided by investing activities includes proceeds from the redemption of certificates of deposit and interest income, reduced by the purchase of certificates of deposit.

CAPITAL ASSETS

At June 30, 2009, the Commission had \$1,057,369 invested in capital assets, net of accumulated depreciation of \$1,295,998. Depreciation charges totaled \$161,294 for fiscal 2009. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2009, the Commission had no long-term debt outstanding, a decrease of \$171,593 from June 30, 2008. Additional information about the Commission's long-term debt paid during the fiscal year ended June 30, 2009 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 2008. 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

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Net Assets

June 30, 2009

Assets

Current assets:

Cash	\$ 572,333
Investments	205,971
Accounts receivable	68,872
Prepaid insurance	7,717
Total current assets	<u>854,893</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>1,057,369</u>
Total assets	<u><u>1,912,262</u></u>

Liabilities

Current liabilities:

Accounts payable	69,595
Salaries and benefits payable	9,625
Current portion of compensated absences	8,594
Total current liabilities	<u>87,814</u>

Noncurrent liabilities:

Compensated absences	<u>6,259</u>
Total liabilities	<u><u>94,072</u></u>

Net Assets

Invested in capital assets	1,057,369
Unrestricted	<u>760,821</u>
Total net assets	<u><u>\$ 1,818,190</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, 2009

Operating revenues:	
Gate fees	\$ 713,813
County and city assessments	481,480
Recycling sales	112,987
Other operating revenues	3,852
Total operating revenues	<u>1,312,132</u>
Operating expenses:	
Payments to Rural Iowa Waste Management Association for landfill operations	621,628
Recycling Center:	
Contract hauling	17,750
Marketing recycling materials	15,104
Salaries and benefits	356,524
Depreciation	161,294
Equipment	4,702
Landfill maintenance	72,539
Professional and legal fees	13,383
Insurance	44,966
Telephone and utilities	47,139
Office operations	4,726
Advertising and recycling promotion	2,160
Tire recycling	7,241
Equipment repair	6,403
Uniforms	1,950
Miscellaneous	2,854
Total operating expenses	<u>1,380,363</u>
Operating loss	<u>(68,231)</u>
Non-operating revenues (expenses):	
Interest income	12,670
Insurance recovery	4,030
Gain on sale of capital assets	12,250
Net non-operating revenues (expenses)	<u>28,950</u>
Change in net assets	(39,281)
Net assets beginning of year	<u>1,857,471</u>
Net assets end of year	<u>\$ 1,818,190</u>

See notes to financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Cash Flows

Year ended June 30, 2009

Cash flows from operating activities:	
Cash received from gate fees	\$ 721,665
Cash received from assessments	481,480
Cash received from recycling and other operating revenues	116,839
Cash paid to suppliers for goods and services	(856,581)
Cash paid to employees for services	(341,718)
Net cash provided by operating activities	<u>121,685</u>
Cash flows from non-capital financing activities	
Cash received from insurance recovery	<u>4,030</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(171,593)
Purchase of capital assets	(54,958)
Proceeds from sale of capital assets	13,500
Net cash used for capital and related financing activities	<u>(213,051)</u>
Cash flows from investing activities:	
Proceeds from redemption of certificates of deposit	260,000
Purchase of certificates of deposit	(205,971)
Interest received	20,279
Net cash provided by investing activities	<u>74,308</u>
Net decrease in cash and cash equivalents	(13,028)
Cash and cash equivalents beginning of year	<u>585,361</u>
Cash and cash equivalents end of year	<u>\$ 572,333</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (68,231)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	161,294
Changes in assets and liabilities:	
Decrease in accounts receivable	7,852
Decrease in prepaid expense	23,774
Increase in compensated absences	9,371
(Decrease) in accounts payable	(18,219)
Increase in salaries and benefits payable	5,844
Total adjustments	<u>189,916</u>
Net cash provided by operating activities	<u>\$ 121,685</u>

See notes to financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Notes to Financial Statements

June 30, 2009

(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 two Commissions/Authorities: Hardin County Sanitary Solid Waste Disposal Commission and Butler County Solid Waste Commission. 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, 2009 include certificates of deposit of \$205,971.

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	1,500

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, 2009.

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, 2009.

(2) Cash and Investments

The Commission’s deposits in banks at June 30, 2009 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 4.10% of their annual covered salary and the Commission is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$15,322, \$14,118 and \$14,278, respectively, equal to the required contribution for each year.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 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	994,129	54,600	53,335	995,394
Total capital assets being depreciated	2,252,102	54,600	53,335	2,253,367
Less accumulated depreciation for:				
Buildings	533,314	62,899	-	596,213
Equipment and vehicles	653,832	98,396	52,442	699,785
Total accumulated depreciation	1,187,146	161,294	52,442	1,295,998
Total capital assets being depreciated, net	1,064,956	(106,694)	893	957,369
Total capital assets, net	\$ 1,164,956	(106,694)	893	1,057,369

(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 was to be repaid over a ten year period. The loan required quarterly payments of \$14,054 from July 15, 2001 to April 15, 2011. The Commission paid the remaining balance of \$154,593 during the year ended June 30, 2009.

(6) Contract Payable

On October 30, 2001, the Commission approved an agreement for \$100,000 to acquire real estate. The agreement required monthly payments of \$1,000, interest-free, from July 1, 2001 to October 1, 2009. The Commission paid the remaining balance of \$17,000 during the year ended June 30, 2009.

(7) Contingent Liabilities

Closure and Postclosure Care

To comply with federal and state regulations, the 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 Commission remains contingently liable for the closure and postclosure care costs. At June 30, 2009, these costs are estimated at \$2,297,800 and RIWMA has elected to demonstrate financial assurance for these costs by using three financial assurance mechanisms totaling \$2,280,431, resulting in a shortage of \$17,369. Currently, RIWMA has designated an additional investment for the financial assurance dedicated fund in a sufficient amount for financial assurance.

(8) Risk Management

The 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 577 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, 2009 was \$31,491.

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 by the Travelers Insurance Company.

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, 2009, no liability has been recorded in the Commission's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may

withdraw from the Pool. Upon withdrawal, payments for all casualty claims and 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.

Hardin County Sanitary Solid Waste Disposal Commission



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 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, 2009 and have issued our report thereon dated January 19, 2010. 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency, including a deficiency we consider to be a material weakness.

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 deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency 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, we believe the significant deficiency described above and reported as item (A) is a material weakness.

Compliance and Other Matters

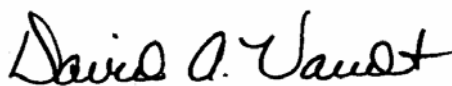
As part of obtaining reasonable assurance about whether the Hardin County Sanitary Solid Waste Disposal Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 no instances 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, 2009 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.

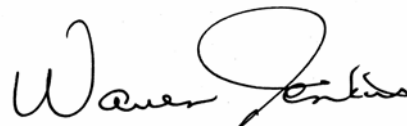
The Hardin County Sanitary Solid Waste Disposal Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Hardin County Sanitary Solid Waste Disposal Commission's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

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

January 19, 2010

Hardin County Sanitary Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2009

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 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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

Hardin County Sanitary Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2009

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
Rosemary E. Nielsen, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State