



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE _____ March 4, 2003 _____ Contact: Andy Nielsen
515/281-5515

The Office of Auditor of State today released an audit report on the Hardin County Sanitary Solid Waste Disposal Commission.

The Commission had total operating revenues of \$1,073,193 for the year ended June 30, 2002, which included gate fees of \$553,227 and County and City assessments of \$473,932. The Commission had total operating revenues of \$1,042,415 for the year ended June 30, 2001, which included gate fees of \$535,288 and County and City assessments of \$454,968.

Operating expenses totaled \$1,010,766 for the year ended June 30, 2002, which included \$475,193 for landfill operations, \$227,036 for salaries and benefits and \$126,211 for depreciation. Operating expenses totaled \$1,028,480 for the year ended June 30, 2001, which included \$474,700 for landfill operations, \$135,887 for contract hauling and \$185,310 for salaries and benefits.

This report contains a recommendation to Commission officials to improve controls over receivables, cash and investments by segregating accounting duties to the extent possible. The Commission has responded favorably to this recommendation.

A copy of the audit report is available for review in the office of the Auditor of State and the Hardin County Sanitary Solid Waste Disposal Commission.

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**HARDIN COUNTY
SANITARY SOLID WASTE DISPOSAL COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS**

JUNE 30, 2002 AND 2001

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Hardin County Sanitary Solid Waste Disposal Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ron Reece	Chairperson	City of New Providence
Jody Anderson	Member	City of Iowa Falls
Lance Meyer	Member	City of Ackley
Dale Hansen	Member	City of Alden
Mark Inks	Member	City of Buckeye
Tim Hoy	Member	City of Eldora
Dennis Kielsmeier	Member	City of Hubbard
Lavonne Ellison	Member	City of Owasa
Sean Brown	Member	City of Radcliffe
Jeff Risius	Member	City of Steamboat Rock
Joe Knight	Member	City of Union
Ed Bear	Member	Hardin County
Joe Knight	Director	
Mary Ellen Mielke	Facility Administrator	

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 general purpose financial statements, listed as exhibits in the table of contents of this report, of the Hardin County Sanitary Solid Waste Disposal Commission, as of and for the years ended June 30, 2002 and 2001. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2002 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 and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 12, 2002

Hardin County Sanitary Solid Waste Disposal Commission

Financial Statements

Exhibit A

Hardin County Sanitary Solid Waste Disposal Commission

Balance Sheet

June 30, 2002 and 2001

	2002	2001
Assets		
Current assets:		
Cash	\$ 323,604	799,062
Investments	560,000	300,000
Accounts receivable	45,858	56,585
Accrued interest	24,999	11,663
Prepaid expenses	36,843	44,522
Receivable from Iowa Department of Natural Resources	-	62,000
Total current assets	<u>991,304</u>	<u>1,273,832</u>
Property and equipment:		
Equipment deposit	-	54,980
Equipment	844,968	517,035
Buildings and improvements	630,095	630,096
Land	100,000	-
Construction in progress	597,111	35,920
	<u>2,172,174</u>	<u>1,238,031</u>
Accumulated depreciation	(475,411)	(349,200)
Property and equipment (net of accumulated depreciated)	<u>1,696,763</u>	<u>888,831</u>
Total assets	<u><u>\$ 2,688,067</u></u>	<u><u>2,162,663</u></u>
Liabilities and Fund Equity		
Current liabilities:		
Accounts payable	\$ 13,481	37,424
Salaries and benefits payable	5,327	4,017
Compensated absences payable	6,027	-
Deferred revenue	19,728	-
Current portion of:		
Iowa Department of Natural Resources loan (note 6)	56,215	56,215
Contracts payable (note 7)	13,000	-
Revenue notes payable (note 8)	86,109	82,245
Total current liabilities	<u>199,887</u>	<u>179,901</u>
Non-current liabilities:		
Iowa Department of Natural Resources loan (note 6)	449,720	4,535
Contract payable (note 7)	76,000	-
Revenue notes payable (note 8)	274,961	361,070
Total non-current liabilities	<u>800,681</u>	<u>365,605</u>
Total liabilities	1,000,568	545,506
Fund equity:		
Unreserved retained earnings	<u>1,687,499</u>	<u>1,617,157</u>
Total liabilities and fund equity	<u><u>\$ 2,688,067</u></u>	<u><u>2,162,663</u></u>

See notes to financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Revenues, Expenses and
Changes in Retained Earnings

Years ended June 30, 2002 and 2001

	2002	2001
Operating revenues:		
County and City assessments	\$ 473,932	454,968
Gate fees	553,227	535,288
Recycling sales	38,007	43,441
Other	8,027	8,718
Total operating revenues	<u>1,073,193</u>	<u>1,042,415</u>
Operating expenses:		
Payments to Rural Iowa Waste Management Association for Landfill operations	475,193	474,700
Recycling Center:		
Contract hauling	3,655	135,887
Marketing recycling materials	2,909	3,925
Salaries and benefits	227,036	185,310
Depreciation	126,211	87,806
Landfill maintenance	51,932	41,659
Travel and training	7,407	4,883
Engineering and consulting	2,703	-
Professional and legal fees	21,665	12,288
Insurance	44,109	43,035
Telephone and utilities	22,942	13,506
Office operations	6,038	5,768
Advertising and recycling promotion	5,590	9,271
Tire recycling	-	2,548
Equipment repair	4,270	4,168
Uniforms	2,681	2,975
Other	6,425	751
Total operating expenses	<u>1,010,766</u>	<u>1,028,480</u>
Operating income	62,427	13,935
Non-operating revenues (expenses):		
Landfill alternatives grant	-	20,000
Interest income	38,583	49,432
Interest expense	(30,668)	(1,725)
Other	-	245
Net income	70,342	81,887
Retained earnings beginning of year, as restated (note 9)	<u>1,617,157</u>	<u>1,535,270</u>
Retained earnings end of year	<u>\$ 1,687,499</u>	<u>1,617,157</u>

See notes to financial statements.

Exhibit C

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Cash Flows

Years ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Cash received from assessments	\$ 493,660	454,968
Cash received from gate fees	563,954	513,554
Cash received from other operating revenues	46,034	52,159
Cash payments to suppliers for goods and services	(672,476)	(752,921)
Cash payments to employees for services	(221,010)	(185,375)
Net cash provided by operating activities	<u>210,162</u>	<u>82,385</u>
Cash flows from capital and related financing activities:		
Proceeds from loans	551,400	448,750
Principal paid on loans	(149,461)	(6,685)
Interest paid on loans	(18,673)	(1,725)
Landfill alternatives grant	-	20,000
Acquisition and construction of capital assets:		
Purchase of property and equipment	(272,939)	(257,727)
Construction in progress	(561,191)	(35,920)
Equipment deposits	-	(54,980)
Net cash provided by (used for) capital and financing activities	<u>(450,864)</u>	<u>111,713</u>
Cash flows from investing activities:		
Proceeds from redemption of certificates of deposit	300,000	790,000
Purchase of certificates of deposit	(560,000)	(560,000)
Interest received	25,244	60,712
Net cash provided by (used for) investing activities	<u>(234,756)</u>	<u>290,712</u>
Net increase (decrease) in cash and cash equivalents	(475,458)	484,810
Cash and cash equivalents at beginning of year	<u>799,062</u>	<u>314,252</u>
Cash and cash equivalents at end of year	<u>\$ 323,604</u>	<u>799,062</u>

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Cash Flows

Years ended June 30, 2002 and 2001

	2002	2001
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 62,427	13,935
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	126,211	87,806
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	10,727	(21,734)
(Increase) in prepaid expenses	7,679	(5,016)
Increase in deferred revenue	19,728	-
Increase in compensated absences	6,027	-
Increase (decrease) in accounts payables	(23,943)	7,459
Increase (decrease) in salaries and benefits payable	1,306	(65)
Total adjustments	147,735	68,450
Net cash provided by operating activities	\$ 210,162	82,385
Reconciliation of cash and cash equivalents at year end to specific assets included on Balance Sheet:		
Current assets:		
Cash	\$ 323,604	799,062
Certificates of deposit	560,000	300,000
	883,604	1,099,062
Less items not meeting the definition of cash equivalents:		
Certificates of deposit	(560,000)	(300,000)
Cash and cash equivalents at year end	\$ 323,604	799,062

See notes to financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Hardin County Sanitary Solid Waste Disposal Commission

Notes to Financial Statements

June 30, 2002

(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 that 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.

A. Reporting Entity

For financial reporting purposes, the Hardin County Sanitary Solid Waste Disposal Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Hardin County Sanitary Solid Waste Disposal Commission has no component units which meet the Governmental Accounting Standards Board criteria.

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

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 liability associated with the landfill and its operation under the permit issued in December 1994.

B. Fund Accounting

The accounts of the Hardin County Sanitary Solid Waste Disposal Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that 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 that 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

Enterprise Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheet. The reported fund equity, net total assets, is reported as retained earnings. The operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting financial activity of its enterprise fund, 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 Interpretation, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with standards set forth by the Governmental Accounting Standards Board. Revenues are recognized when they are earned and expenses are recognized or recorded when they are incurred.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2002 included certificates of deposit of \$560,000.

Property and Equipment - Property and equipment are accounted for at historical cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are amortized over twenty years and equipment is depreciated over a five to ten year life.

The cost of repairs 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.

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, 2002.

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, 2002.

(2) Cash and Investments

The Commission's deposits at June 30, 2002 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.

(3) Contingent Liabilities

Closure and Postclosure Care Cost

To comply with federal and state regulations, the Hardin County Sanitary Solid Waste Disposal Commission is required to complete a monitoring system plan and a closure/postclosure 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 would 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 would be 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 Associate (RIWMA), RIWMA became primarily responsible for all future commitments and liability associated with the landfill and its operation. However, according to the Commission's Attorney, neither 28E provisions nor Commission resolutions can alter the legal responsibility of any prior owners of landfill sites with regard to the above EPA requirements. Accordingly, the Hardin County Sanitary Solid Waste Disposal Commission remains contingently liable for the closure and postclosure care costs. At June 30, 2002, these costs are estimated at \$642,500 and a total of \$442,013 has been accrued by RIWMA to cover these costs.

(4) Risk Management

Hardin County Solid Waste Disposal Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from 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 and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member 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 annual contribution to the Pool for the year ended June 30, 2002 was \$15,807.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2002, no liability has been recorded in the Commission's financial statements. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company 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 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.

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

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2002 and 2001 were \$11,298 and \$9,602, respectively, equal to the required contributions for each year.

(6) Iowa Department of Natural Resources Loan

During the year ended June 30, 2002, the Commission was awarded a loan totaling \$570,150 for expansion of the recycling center from the Iowa Department of Natural Resources (DNR). The loan of \$570,150 will be repaid over a ten year period. The first \$20,000 of the loan may be forgiven if all contractual obligations in the contract are met. If the requirements are not met, the forgivable loan portion will revert to an interest-free loan and repayment will be required. The next \$150,000 is interest-free, and the remaining \$400,150 is to be repaid with 3% interest. The loan requires quarterly payments of \$14,054 beginning on July 15, 2001 and ending on April 15, 2011. At June 30, 2002, the loan balance owed to DNR was \$505,935.

Year Ending June 30,	Principal
2003	\$ 56,215
2004	56,215
2005	56,215
2006	56,215
2007	56,215
2008	56,215
2009	56,215
2010	56,215
2011	56,215
Total	<u>\$ 505,935</u>

(7) Contract Payable

On October 30, 2001, the Hardin County Sanitary Solid Waste Disposal Commission approved an agreement for \$100,000 to acquire real estate. The agreement requires monthly payments of \$1,000, interest free, from July 1, 2001 to October 1, 2010. At June 30, 2002 the balance owed to Rural Iowa Waste Management Association was \$89,000, which includes a delinquent installment of \$1,000 that was paid in July.

Year Ending June 30,	Principal
2003	\$ 12,000
2004	12,000
2005	12,000
2006	12,000
2007	12,000
2008	12,000
2009	12,000
2010	4,000
Total	\$ 88,000

(8) Revenue Notes Payable

Annual debt service requirements to maturity for the revenue notes are as follows:

Year Ending	Revenue Notes	
	Principal	Interest
2003	\$ 86,109	14,809
2004	90,155	10,763
2005	94,391	6,527
2006	90,415	2,093
Total	\$ 361,070	34,192

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate revenue note sinking account for the purpose of making the note principal and interest payments when due.

The Commission has not established the sinking account required by the revenue note resolution.

(9) Restatement

The unreserved retained earnings balance at June 30, 2001 has been restated to include accounts receivable at June 30, 2001 that were not previously reported. As a result, the beginning unreserved retained earnings and accounts receivable increased by \$50,335 at June 30, 2001.

Hardin County Sanitary Solid Waste Disposal Commission



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

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

We have audited the general purpose financial statements of the Hardin County Sanitary Solid Waste Disposal Commission as of and for the year ended June 30, 2002, and have issued our report thereon dated December 12, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hardin County Sanitary Solid Waste Disposal Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hardin County Sanitary Solid Waste Disposal Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

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

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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 12, 2002

Hardin County Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2002

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

Segregation of Duties - During our review of the internal accounting controls, the existing control activities are evaluated in order to determine that 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, handling and recording cash, bank deposits and the custody and recordkeeping of certificates of deposit.

Recommendation - We realize that with limited number of office employees, segregation of duties is difficult. 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 Commission has only two full time employees in the office. All monthly expenditures and financial statements are viewed by the Commission and recorded at the regular meetings. An independent bookkeeping firm also assists the Commission and office in its financial accounting and reconciliations. A system test will be done randomly throughout the year to check the system for errors.

Conclusion - Response accepted.

Hardin County Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2002

Other Findings Related to Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Board Minutes - No transactions were found that we believe should have been approved in the Commission's minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.
- (6) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Commission retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The Commission should obtain and retain an image of both the front and back of each cancelled check as required

Response - This has been requested from the bank and the Commission will see that it gets accomplished.

Conclusion - Response accepted.

- (7) Revenue Notes - The Commission has not established a sinking account as required by the revenue note resolution.

Recommendation - The Commission should establish this account and make the required transfers.

Response - We will identify this account in the financial statement.

Conclusion - Response accepted.

Hardin County Sanitary Solid Waste Disposal Commission

Staff

This audit was performed by:

**K. David Voy, CPA, Manager
Sarah M. Wright, Staff Auditor**

**Andrew E. Nielsen, CPA
Deputy Auditor of State**