



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

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE November 22, 2004

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Adair County Sanitary Landfill and Recycling Center.

The Center had total receipts of \$580,283 during the year ended June 30, 2004, a two percent increase from 2003. The receipts included county and city contributions of \$78,693 and gate and recycling fees of \$422,271.

Disbursements for the year totaled \$531,335, a four percent decrease from the prior year, and included \$165,230 for salaries and benefits, \$105,600 for solid waste operator contractor fees and \$142,526 for loan payments.

A copy of the audit report is available for review in the Office of Auditor of State and at the Adair County Sanitary Landfill and Recycling Center.

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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, 2004**

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## Adair County Sanitary Landfill and Recycling Center

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Larry Guisinger	Chair	City of Menlo
Chuck Avey	Vice-Chair	City of Stuart
Pat Keating	Member	City of Casey
No representative	Member	City of Bridgewater
Ron Wilson	Member	City of Adair
Kevin Hall	Member	City of Greenfield
Robert Jensen	Member	City of Orient
Richard Dolan	Member	Adair County
Larry Baudler	Member	Adair County
No representative	Member	City of Fontanelle
Barbara Jean Funke	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, 2004. 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, 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. Those standards and provisions 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.

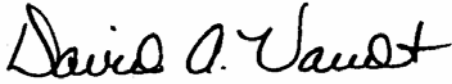
As described in note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2004, and the changes in cash basis financial position for the year then ended in conforming with the basis of accounting described in Note 1.


As discussed in Note 10, during the year ended June 30, 2004, the Adair County Sanitary Landfill and Recycling Center adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2004 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 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 audit.

Management's Discussion and Analysis on pages 7 through 9 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 supplementary information. We did not audit the information and express no opinion thereon.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 3, 2004

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

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The Adair County Sanitary Landfill and Recycling Center (ACSL&RC) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the ACSL&RC is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

### **2004 FINANCIAL HIGHLIGHTS**

- ◆ Operating receipts increased 25%, or approximately \$108,000, from fiscal 2003 to fiscal 2004.
- ◆ Operating disbursements decreased approximately \$122,000, or 24%, from fiscal 2003 to fiscal 2004.
- ◆ Cash basis net assets increased 6%, or approximately \$49,000, from June 30, 2003 to June 30, 2004.

### **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, the reader 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 the 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 Center'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, proceeds from sale of equipment and loan principal payments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2004 and June 30, 2003 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2004	2003
Operating receipts:		
Gate and recycling fees	\$ 422,271	314,442
County contributions	31,604	31,923
City contributions	47,089	47,565
Recycling freight	31,676	30,435
Miscellaneous	1,815	2,572
Total operating receipts	<u>534,455</u>	<u>426,937</u>
Operating disbursements:		
Salaries and benefits	165,230	164,688
Operator and recycling contracts	108,910	127,190
Other	114,669	218,754
Total operating disbursements	<u>388,809</u>	<u>510,632</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>145,646</u>	<u>(83,695)</u>
Non-operating receipts (disbursements):		
Interest on investments	20,793	31,513
Land rent	12,535	12,282
Sale of equipment	12,500	-
Loan principal payments	(142,526)	(42,513)
Iowa Department of Natural Resources loan proceeds	-	99,381
Net non-operating receipts (disbursements)	<u>(96,698)</u>	<u>100,663</u>
Net change in cash basis net assets	48,948	16,968
Cash basis net assets beginning of year	<u>802,561</u>	<u>785,593</u>
Cash basis net assets end of year	<u>\$ 851,509</u>	<u>802,561</u>

In fiscal 2004, operating receipts increased by \$107,518, or 25%, over fiscal 2003. The increase was primarily a result of an increase in waste of 268 tons over the previous year and a fire in one community that resulted in an increase in asbestos waste. In fiscal 2004, operating disbursements decreased by \$121,823, or 24%, from fiscal 2003. The decrease was primarily due to a decrease in equipment purchases and recycling contract payments.

The largest portion of the ACSL&RC's cash basis net assets (66%) 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 (34%) are the 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 \$87,275, or 18%, during the year. The increase was due to additional funds being set aside for closure and postclosure care costs. Unrestricted cash basis net assets decreased \$38,327, or 12%, during the year due to an increase in amounts restricted for closure and postclosure care.

## **LONG-TERM DEBT**

At June 30, 2004, the ACSL&RC had \$46,475 of Iowa Department of Natural Resources loans outstanding. The loans were issued in previous years to finance the costs of constructing and equipping a recycling processing center and implementing drop-off recycling containers in the planning area.

## **ECONOMIC FACTORS**

ACSL&RC continued to improve its cash basis financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for ACSL&RC officials. Some of the realities that may potentially become challenges for the ACSL&RC to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Center anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Center's 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 Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact ACSL&RC, 1645 State Highway #25, Menlo, IA 50164. 641-743-8343 or [acsl@mddc.com](mailto:acsl@mddc.com)

**Exhibit A**

## Adair County Sanitary Landfill and Recycling Center

Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets

Year ended June 30, 2004

Operating receipts:	
Gate and recycling fees	\$ 422,271
County contributions	31,604
City contributions	47,089
Recycling freight	31,676
Miscellaneous	1,815
Total operating receipts	<u>534,455</u>
Operating disbursements:	
Salaries and benefits	165,230
Training and travel	3,419
Equipment	495
Maintenance and repair	9,532
Utilities	6,476
Rock	4,863
Insurance	17,117
Operator contract	105,600
Recycling contract	3,310
Household hazard facility contract	8,786
Fuel	2,349
Advertising and supplies	11,698
Professional services	16,619
Tonnage fees	14,277
Disposal costs	11,105
Miscellaneous	7,933
Total operating disbursements	<u>388,809</u>
Excess of operating receipts over operating disbursements	<u>145,646</u>
Non-operating receipts (disbursements):	
Interest on investments	20,793
Land rent	12,535
Sale of equipment	12,500
Loan principal payments	(142,526)
Net non-operating disbursements	<u>(96,698)</u>
Change in cash basis net assets	48,948
Cash basis net assets beginning of year	<u>802,561</u>
Cash basis net assets end of year	<u>\$ 851,509</u>
<b>Cash Basis Net Assets</b>	
Restricted for:	
Closure	\$ 252,478
Postclosure care	313,435
Total restricted net assets	<u>565,913</u>
Unrestricted	<u>285,596</u>
Total cash basis net assets	<u>\$ 851,509</u>

See notes to financial statement.

Adair County Sanitary Landfill and Recycling Center

Notes to Financial Statement

June 30, 2004

**(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 eight member cities and two representatives from Adair County. The member cities are: Adair, 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 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 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 costs. 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. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Cash Equivalents – The Center 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.

Restricted Cash Basis Net Assets – Funds set aside for payment of closure and postclosure care costs are classified as restricted.

**(2) Cash and Investments**

The Center's deposits in banks at June 30, 2004 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.

**(3) Pension and Retirement Benefits**

The Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Center is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Center's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$6,323, \$6,297 and \$5,928, respectively, equal to the required contribution for each year.

#### **(4) Closure and Postclosure Care Costs**

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 care, (2) the cost of final cover (material and labor), (3) the cost of monitoring and 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.

These costs for the Adair County Sanitary Landfill and Recycling Center have been estimated to be \$252,856 for closure and \$529,800 for postclosure, for a total of \$782,656. The estimated remaining life of the landfill is 18 years, with approximately 57 percent of the landfill's capacity used at June 30, 2004.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Adair County Sanitary Landfill and Recycling Center has begun to accumulate resources to fund these costs and, at June 30, 2004, assets of \$565,913 are restricted for these purposes, of which \$252,478 is for closure and \$313,435 is for postclosure care. They are reported as restricted cash basis net assets on the Statement of Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the IAC, since the estimated closure and postclosure care costs are not fully funded, the Center is required to demonstrate financial assurance for the unfunded costs. The Center has adopted the Dedicated Fund financial assurance mechanism. Under this mechanism, the Center must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.

- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 57-111.8(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, 2004, the Center had no unspent tonnage fees.

**(6) Risk Management**

The Center is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 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, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The Center's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Center's annual contribution to the Pool for the year ended June 30, 2004 was \$10,442.

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 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 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, 2004, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three years.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The Center also carries commercial insurance purchased from another insurer for coverage associated with the employee blanket bond in the amount of \$250,000. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Operator Contract**

The Adair County Sanitary Landfill and Recycling Center has entered into a contract for the operation of the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools, and equipment necessary for operation, except for recycling responsibilities and collection of gate fees. Prior to October 1, 2003, the operator was paid \$7,300 per month for these services. The fee for these services increased to \$9,300 per month effective October 1, 2003.

**(8) Financial Assistance Program Loans**

During the year ended June 30, 1997, the Center entered into a contract with the Iowa Department of Natural Resources under the Landfill Alternatives Financial Assistance Program and received a \$186,065 interest-free loan. The proceeds were used to construct and equip a recycling processing center. The promissory note is to be repaid over 84 months, with quarterly payments of \$6,645 beginning November 1997, with the final payment due August 2004. Four payments totaling \$26,581 were made during the year ended June 30, 2004. At June 30, 2004, the unpaid balance of this loan was \$6,645, which was paid in its entirety in August 2004.



On November 9, 1998, the Center approved a comprehensive plan for recycling expansion and entered into an agreement with the Iowa Department of Natural Resources for a \$111,524 interest-free loan to fund the expansion. The promissory note is to be repaid over 84 months, with quarterly payments of \$3,983 beginning January 15, 2000 and ending October 15, 2006. Four payments totaling \$15,932 were made during the year ended June 30, 2004. At June 30, 2004, the unpaid balance of the loan was \$39,830. A schedule of the remaining payments to be made on the loan is as follows:

Year ended June 30,	Amount
2005	\$ 15,932
2006	15,932
2007	<u>7,966</u>
Total	<u>\$ 39,830</u>

On April 8, 2002, the Center approved a contract for recycling expansion and entered into an agreement with the Iowa Department of Natural Resources for a forgivable loan of \$20,000, an interest-free loan of \$150,000 and a 3% interest loan of \$52,210. The loans are to be repaid over 84 months, with quarterly payments of \$7,431 beginning March 15, 2003 and ending December 15, 2009. On February 21, 2003, the Iowa Department of Natural Resources approved an amended repayment schedule making the first payment due March 14, 2004 and the final payment due December 15, 2010. During the year ended June 30, 2004, the Center terminated the agreement and repaid the entire remaining balance of \$100,013.

**(9) Designated Funds**

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

<u>Purpose</u>	<u>Amount</u>
Planning	\$ 42,748
Equipment	<u>106,561</u>
Total	<u>\$ 149,309</u>

**(10) Accounting Change**

For the year ended June 30, 2004, the Center implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balance of the Center.



**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 Adair County Sanitary Landfill and Recycling Center:

We have audited the financial statement of the Adair County Sanitary Landfill and Recycling Center as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States.

Compliance

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 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 Center's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved.

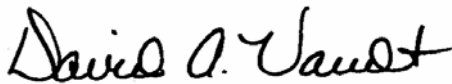
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Adair County Sanitary Landfill and Recycling Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 the Adair County Sanitary Landfill and Recycling Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

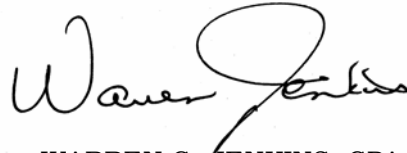
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected 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, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended solely for the information and use of the members and customers of the Adair County Sanitary Landfill and Recycling Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 3, 2004

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2004

**Findings Related to the Financial Statement:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting to receipts record and individual charge account records, and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review its control activities to obtain the maximum internal control possible under the circumstances.

Response – The ACSL&RC will look at this area regarding segregations of duties and will see, with a limited number of staff, how this can be corrected with minimal additional expense. As of the 2005 fiscal year, the internal auditing procedures that staff were completing each month are being doubled. For example, last year four entries were audited each month. In the 2005 fiscal year, there will be eight entries audited per month by staff other than the primary person in control of the accounting package.

Conclusion – Response accepted.

- (B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, variances were not adequately resolved.

Recommendation – Variances noted in monthly bank reconciliations should be investigated and resolved timely.

Response – The ACSL&RC will look at additional monthly reconciliation and supporting documentation to correct any variances on a timely manner. As of the 2005 fiscal year, the Center has doubled the amount of entries it audits monthly on the bank reconciliations.

Conclusion – Response accepted.

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2004

**Other Findings Related to Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been approved by the Center. The maximum deposit amount stated in the resolution for Union State Bank was exceeded during the year ended June 30, 2004. The Center approved an increase to the maximum deposit amount in April, 2004.
- (2) Questionable Disbursements – We noted a disbursement 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. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Coca-Cola Atlantic	Pop for officials and employees	\$118

According to the opinion, it is possible for certain expenditures 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 expenditures before authorizing any further payments. If this practice is continued, the Center should establish written policies and procedures which document the public purpose served.

Response – The ACSL&RC Policy/Procedure committee will review and make written recommendations to the entire Commission in fiscal year 2005 with regards to the future procedures and policies that the facility will document on the public purpose that this expenditure serves.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of Center money for travel expenses of spouses of Center officials or employees were noted.
- (4) Center Minutes – The Center held a closed session on July 15, 2003 to discuss compensatory time, meetings the Director attends and a contract for the Director. The purposes of the meeting do not appear allowable in accordance with Chapter 21.5 of the Code of Iowa. Chapter 21.5(1)(i) allows closed sessions to be held to evaluate the professional competency of an individual whose appointment, hiring, performance or discharge is being considered when necessary to prevent needless and irreparable injury to that individual's reputation and the individual requests a closed session. The Director was unaware of the meeting and, accordingly, did not request a closed session. In addition, the meeting was not preceded by proper public notice and minutes were not available from the meeting.

The minutes did not include approval of the wages for all employees.

Adair County Sanitary Landfill and Recycling Center

Schedule of Findings

Year ended June 30, 2004

Recommendation – The Center should comply with Chapter 21 of the Code of Iowa for closed sessions and the minutes should include approval of all wages.

Response – The ACSL&RC will comply with Chapter 21 of the Code of Iowa on all future closed sessions, and the minutes shall document per staff member the beginning wage and any increase that fiscal year.

Conclusion – Response accepted.

- (5) 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.
- (6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2004, the Center used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.
- (7) Financial Assurance – The Center has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 252,856	529,800
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>243,992</u>	<u>234,646</u>
	8,864	295,154
Divided by the number of years remaining in the pay-in period	<u>÷ 4</u>	<u>÷ 4</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	\$ 2,216	73,789
Balance of funds held in the local dedicated fund at June 30, 2003	<u>243,992</u>	<u>234,646</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2004	<u>\$ 246,208</u>	<u>308,435</u>
Amount Center has restricted for closure and postclosure care at June 30, 2004	<u>\$ 252,478</u>	<u>313,435</u>

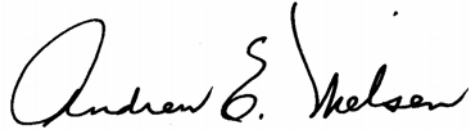
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Adair County Sanitary Landfill and Recycling Center

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Donna F. Kruger, CPA, Senior Auditor II

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