



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 February 23, 2005

Contact: Andy Nielsen
515/281-5834

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 \$1,175,685 for the year ended June 30, 2004, a 6 percent increase from the prior year. Revenues included gate fees of \$535,665 and county and city assessments of \$485,432.

Expenses totaled \$1,195,658 for the year ended June 30, 2004, a 1 percent decrease from the prior year, and included \$490,826 for landfill operations, \$321,694 for salaries and benefits and \$175,718 for depreciation.

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 Auditor of State and the Hardin County Sanitary Solid Waste Disposal Commission.

###

**HARDIN COUNTY
SANITARY SOLID WASTE DISPOSAL COMMISSION**

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

JUNE 30, 2004

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	7-11
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Assets	A 14
Statement of Revenues, Expenses and Changes in Net Assets	B 15
Statement of Cash Flows	C 16
Notes to Financial Statements	17-24
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	27-28
Schedule of Findings	29-30
Staff	31

Hardin County Sanitary Solid Waste Disposal Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ron Reece	Chairperson	City of New Providence
Lance Meyer	Vice-Chairperson	City of Ackley
Jody Anderson	Member	City of Iowa Falls
Jeff Heinzeroth	Member	City of Alden
Mark Inks	Member	City of Buckeye
Eric Weinkoetz	Member	City of Eldora
Ken Wennekamp	Member	City of Hubbard
Lavonne Ellison	Member	City of Owasa
Brad Fjelland	Member	City of Radcliffe
John Hartman	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



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

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, 2004, which collectively comprise the Commission's basic financial statements listed in the table of contents. 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, 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 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, 2004, 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.

As discussed in Note 10, during the year ended June 30, 2004, the Hardin County Sanitary Solid Waste Disposal Commission 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 14, 2004 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 audit.

Management's Discussion and Analysis on pages 7 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 14, 2004

Hardin County Sanitary Solid Waste Disposal Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues increased \$75,313 from fiscal 2003 to fiscal 2004. Gate fees and recycling sales increased and other revenues stayed the same or decreased.
- The Commission's operating expenses were \$13,659 less in fiscal 2004 than in fiscal 2003.
- The Commission's net assets decreased \$19,973 from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Hardin County Sanitary Solid Waste Disposal Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and 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 the user 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 for fiscal 2004 totaled \$1,562,747. This compares to \$1,582,720 for fiscal 2003. A summary of the Commission's net assets is presented below.

Net Assets		
	June 30,	
	2004	2003
Current assets	\$ 711,139	729,308
Restricted investments	100,918	100,918
Capital assets at cost, less accumulated depreciation	1,413,680	1,589,398
Total assets	<u>2,225,737</u>	<u>2,419,624</u>
Current liabilities	195,784	194,591
Noncurrent liabilities	467,206	642,313
Total liabilities	<u>662,990</u>	<u>836,904</u>
Net assets:		
Invested in capital assets, net of related debt	785,976	787,715
Restricted	100,918	100,918
Unrestricted	675,853	694,087
Total net assets	<u>\$ 1,562,747</u>	<u>1,582,720</u>

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

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. 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, 2004 and June 30, 2003 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2004	2003
Operating revenues:		
Gate fees	\$ 535,665	486,910
County and city assessments	485,432	485,432
Recycling sales	132,092	102,169
Other operating revenues	6,671	10,036
Total operating revenues	<u>1,159,860</u>	<u>1,084,547</u>
Operating expenses:		
Payments to Rural Iowa Waste Management Association for landfill operations	490,826	510,937
Recycling Center:		
Contract hauling	20,117	16,010
Marketing recycling materials	19,206	20,111
Salaries and benefits	321,694	317,716
Depreciation	175,718	168,061
Landfill maintenance	44,769	48,429
Travel and training	3,410	2,674
Engineering and consulting	3,000	3,222
Professional and legal fees	33,148	11,073
Insurance	26,044	32,389
Telephone and utilities	29,036	23,944
Office operations	4,252	8,649
Advertising and recycling promotion	1,475	3,433
Tire recycling	1,250	7,780
Equipment repair	182	7,851
Uniforms	1,620	1,943
Miscellaneous	9,370	14,554
Total operating expenses	<u>1,185,117</u>	<u>1,198,776</u>
Operating loss	<u>(25,257)</u>	<u>(114,229)</u>
Non-operating revenues (expenses):		
Interest income	15,825	24,269
Interest expense	(10,541)	(14,819)
Total non-operating revenues	<u>5,284</u>	<u>9,450</u>
Decrease in net assets	(19,973)	(104,779)
Net assets beginning of year	<u>1,582,720</u>	<u>1,687,499</u>
Net assets end of year	<u>\$ 1,562,747</u>	<u>1,582,720</u>

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

In fiscal 2004, operating revenues increased by \$75,313 primarily a result of gate fees increasing by \$48,755 due to an increase in landfill operations and recycling sales increasing by \$29,923 due to better markets and higher volumes. Operating expenses decreased by \$13,659.

Statement of Cash Flows

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

CAPITAL ASSETS

At June 30, 2004, the Commission had \$1,413,680 invested in capital assets, net of accumulated depreciation of \$819,189. Depreciation charges totaled \$175,718 for fiscal 2004. More detailed information about the Commission’s capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2004, the Commission had \$463,022 in long-term debt outstanding, a decrease of \$179,291 from 2003. The table below summarizes outstanding debt by type.

	June 30,	
	2004	2003
Iowa Department of Natural Resources loan	\$ 337,292	393,507
Contract payable	52,000	64,000
Revenue notes payable	73,730	184,806
Total	<u>\$ 463,022</u>	<u>642,313</u>

Additional information about the Commission’s long-term debt is presented in Notes 5, 6 and 7 to the financial statements.

ECONOMIC FACTORS

The Hardin County Sanitary Solid Waste Disposal Commission has continued the decline in its financial position during the current fiscal year, but this decline was less than in 2003. 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 on going challenge to maintain up to date technology at a reasonable cost.
- The instability of the Rural Iowa Waste Management Association (landfill). Member withdrawals are being discussed and rising operating costs will affect the total cost to remain at this facility.

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, taxpayers, 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.

Hardin County Sanitary Solid Waste Disposal Commission

Basic Financial Statements

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Net Assets

June 30, 2004

Assets

Current assets:

Cash	\$ 322,162
Investments	314,082
Receivables:	
Accounts	51,710
Accrued interest	4,675
Prepaid insurance	18,510
Total current assets	<u>711,139</u>

Noncurrent assets:

Restricted investments	100,918
Capital assets, net of accumulated depreciation	1,413,680
Total noncurrent assets	<u>1,514,598</u>
Total assets	<u>2,225,737</u>

Liabilities

Current liabilities:

Accounts payable	23,622
Salaries and benefits payable	2,950
Current portion of:	
Compensated absences	4,530
Iowa Department of Natural Resources loan	56,215
Contract payable	13,000
Revenue notes payable	95,467
Total current liabilities	<u>195,784</u>

Non-current liabilities:

Compensated absences	4,184
Iowa Department of Natural Resources loan	337,292
Contract payable	52,000
Revenue notes payable	73,730
Total noncurrent liabilities	<u>467,206</u>
Total liabilities	<u>662,990</u>

Net Assets

Invested in capital assets, net of related debt	785,976
Restricted for debt service	100,918
Unrestricted	675,853
Total net assets	<u>\$ 1,562,747</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, 2004

Operating revenues:	
Gate fees	\$ 535,665
County and city assessments	485,432
Recycling sales	132,092
Other operating revenues	6,671
Total operating revenues	<u>1,159,860</u>
Operating expenses:	
Payments to Rural Iowa Waste Management Association for landfill operations	490,826
Recycling Center:	
Contract hauling	20,117
Marketing recycling materials	19,206
Salaries and benefits	321,694
Depreciation	175,718
Landfill maintenance	44,769
Travel and training	3,410
Engineering and consulting	3,000
Professional and legal fees	33,148
Insurance	26,044
Telephone and utilities	29,036
Office operations	4,252
Advertising and recycling promotion	1,475
Tire recycling	1,250
Equipment repair	182
Uniforms	1,620
Miscellaneous	9,370
Total operating expenses	<u>1,185,117</u>
Operating loss	<u>(25,257)</u>
Non-operating revenues (expenses):	
Interest income	15,825
Interest expense	(10,541)
Total non-operating revenues	<u>5,284</u>
Change in net assets	(19,973)
Net assets beginning of year	<u>1,582,720</u>
Net assets end of year	<u>\$ 1,562,747</u>

See notes to financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from gate fees	\$ 525,295
Cash received from assessments	485,432
Cash received from other operating revenues	138,763
Cash paid to suppliers for goods and services	(681,499)
Cash paid to employees for services	(330,151)
Net cash provided by operating activities	<u>137,840</u>
Cash flows from capital and related financing activities:	
Principal paid on loans	(173,978)
Interest paid on loans	(10,543)
Net cash used for capital and financing activities	<u>(184,521)</u>
Cash flows from investing activities:	
Proceeds from redemption of certificates of deposit	561,777
Purchase of certificates of deposit	(415,000)
Interest received	16,456
Net cash provided by investing activities	<u>163,233</u>
Net increase in cash and cash equivalents	116,552
Cash and cash equivalents beginning of year	<u>205,610</u>
Cash and cash equivalents end of year	<u>\$ 322,162</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (25,257)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	175,718
Changes in assets and liabilities:	
(Increase) in accounts receivable	(10,370)
(Increase) in prepaid expenses	(2,316)
Increase in compensated absences	1,047
Increase in accounts payables	8,522
(Decrease) in salaries and benefits payable	(9,504)
Total adjustments	<u>163,097</u>
Net cash provided by operating activities	<u>\$ 137,840</u>

See notes to financial statements.

Hardin County Sanitary Solid Waste Disposal Commission

Notes to Financial Statements

June 30, 2004

(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 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 four Commissions/Authorities: Hardin County Sanitary Solid Waste Disposal Commission, Butler County Solid Waste Commission, Hamilton County Solid Waste Commission and Wright County Area Landfill Authority. The purpose of the Commission is to effectively provide for the sanitary disposal of solid waste within the boundaries of Butler, Hardin, Hamilton 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 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 utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish 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 an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

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. Investments not meeting the definition of cash equivalents at June 30, 2004 include certificates of deposit of \$415,000.

Restricted Investments – Certain certificates of deposit set aside for revenue note principal and interest payments are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

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

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

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

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

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2004.

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, 2004.

(2) Cash and Investments

The Commission’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 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) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the Commission 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 Commission's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$13,282, \$13,561 and \$11,298, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets at June 30, 2004 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	874,896	-	-	874,896
Total capital assets being depreciated	2,132,869	-	-	2,132,869
Less accumulated depreciation for:				
Buildings	218,819	62,899	-	281,718
Equipment and vehicles	424,652	112,819	-	537,471
Total accumulated depreciation	643,471	175,718	-	819,189
Total capital assets being depreciated, net	1,489,398	(175,718)	-	1,313,680
Total capital assets, net	\$ 1,589,398	(175,718)	-	1,413,680

(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 will be repaid over a ten year period. The loan requires quarterly payments of \$14,054 beginning on July 15, 2001 and ending on April 15, 2011. At June 30, 2004, the loan balance owed to the DNR was \$393,507.

Year Ending June 30,	Principal
2005	\$ 56,215
2006	56,215
2007	56,215
2008	56,215
2009	56,215
2010	56,215
2011	56,217
Total	\$ 393,507

Payments under this agreement for the year ended June 30, 2004 totaled \$56,215.

(6) Contract Payable

On October 30, 2001, the Hardin County Sanitary Solid Waste Disposal Commission approved an agreement for \$100,000 to acquire real estate. The agreement requires monthly payments of \$1,000 interest-free from July 1, 2001 to October 1, 2009. At June 30, 2004, the balance owed to Rural Iowa Waste Management Association was \$65,000, which includes a delinquent installment of \$1,000 that was paid in July.

<u>Year Ending June 30,</u>	<u>Principal</u>
2005	\$ 12,000
2006	12,000
2007	12,000
2008	12,000
2009	12,000
2010	<u>4,000</u>
Total	<u>\$ 64,000</u>

(7) Revenue Notes Payable

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

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	4.60%	\$ 95,467	5,451	100,918
2006	4.60	<u>73,730</u>	<u>1,412</u>	<u>75,142</u>
Total		<u>\$ 169,197</u>	<u>6,863</u>	<u>176,060</u>

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.

(8) Contingent Liabilities

Closure and Postclosure Care

To comply with federal and state regulations, the Hardin County Sanitary Solid Waste Disposal Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility

to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost 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 Association (RIWMA), RIWMA became primarily responsible for all future commitments and liabilities associated with the landfill and its operation. However, according to the Commission's attorney, neither 28E provisions nor Commission resolutions can alter the legal responsibility of any prior owners of landfill sites with regard to the above EPA requirements. Accordingly, the Hardin County Sanitary Solid Waste Disposal Commission remains contingently liable for the closure and postclosure care costs. At June 30, 2004, these costs are estimated at \$1,293,000 and a total of \$512,000 has been accrued by RIWMA to cover these costs.

(9) Risk Management

The Hardin County Sanitary Solid Waste Disposal Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool 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 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 contribution to the Pool for the year ended June 30, 2004 was \$20,490.

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 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, 2004, no liability has been recorded in the Commission's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The 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.

(10) Accounting Change

For the year ended June 30, 2004, the Commission 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 statements had no effect on the beginning balance of the Commission.

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

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 financial statements of the Hardin County Sanitary Solid Waste Disposal Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated September 14, 2004. 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 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 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 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, 2004 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.

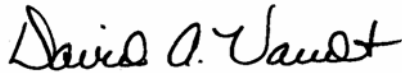
Internal Control Over Financial Reporting

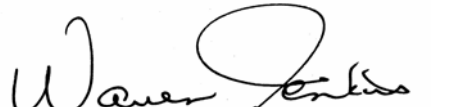
In planning and performing our audit, we considered the Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 the 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, the reportable condition described above, we believe is a material weaknesses. The prior year reportable condition has not been resolved and is repeated.

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

September 14, 2004

Hardin County Sanitary Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

Segregation of Duties – During our review of the internal accounting 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, 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 Commission has an outside bookkeeping firm to assist with this issue. Two signatures are required on all checks. The Commission reviews and approves all expenditures, financial statements and investments to every extent possible.

Conclusion – Response accepted.

Hardin County Sanitary Solid Waste Disposal Commission

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

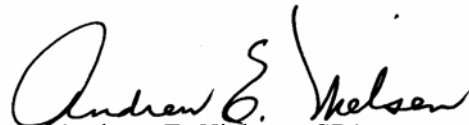
- (1) Official Depositories – A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Expenses – No expenses that may not meet the requirements of public 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 minutes but were not.
- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12.C 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:

Ronald D. Swanson CPA, Manager
Sarah M. Wright, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State