

CLARKE COUNTY SANITARY LANDFILL COMMISSION

Financial Statements
(With Independent Auditor's Reports Thereon)
June 30, 2004 and 2003

CLARKE COUNTY SANITARY LANDFILL COMMISSION

OFFICIALS

<u>Names of Officials</u>	<u>Title</u>	<u>Representing</u>
Don Reasoner	Chairman	Clarke County
Evelyn Kent	Secretary-Treasurer	
Harold Allen, Jr.	Member	City of Murray
Harley Pippen	Member	At Large
Randy Wright	Member	City of Woodburn
Ralph Lesko	Member	City of Osceola

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Clarke County Sanitary Landfill Commission

We have audited the accompanying financial statements of Clarke County Sanitary Landfill Commission as of and for the years ended June 30, 2004 and 2003. 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 basic 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 basic financial statements presentation. We believe that 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 Clarke County Sanitary Landfill Commission as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2004 on our consideration of the 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 3 through 5 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.

September 17, 2004

CLARKE COUNTY SANITARY LANDFILL COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

Clarke County Sanitary Landfill 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 2.4%, or \$11,316 from fiscal 2003 to fiscal 2004 due to an increase in gate fees.
- The Association's operating expenses were 3.9%, or \$15,755, less in fiscal 2004 than in fiscal 2003.
- The Association's net assets increased \$78,095 from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Clarke County Sanitary Landfill 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 Clarke County Sanitary Landfill Commissions 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.

CLARKE COUNTY SANITARY LANDFILL COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2004

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 approximately \$11,000. This compares to a net deficit of approximately \$67,000 for fiscal 2003.

\$106,638 of the Commission's net assets is the restricted for closure and postclosure care. State and federal laws and regulations require the Commission 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 invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net asset are resources allocated to capital assets. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and per capita 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.

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

In fiscal 2004, operating revenues increase by \$11,316, or 2.4% as a result of gate fees increasing due to an increase in the volume of collections. Operating expenses decreased by \$15,755, or 3.9%. The decrease was primarily a result of a decrease in depreciation and amortization expense of approximately \$18,000.

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 to suppliers. Cash used from capital and related financing activities includes long term debt payments and the purchase of capital assets. Cash used by investing activities includes cash deposited to restricted accounts and interest income.

CAPITAL ASSETS

At June 30, 2004, the Association had approximately \$855,000 invested in capital assets, net of accumulated depreciation of approximately \$773,000. Depreciation charges totaled \$48,991 for fiscal 2004. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2004

LONG-TERM DEBT

At June 30, 2004, the Association had \$595,700 in debt outstanding, an increase of \$6,800 from 2003. The table below summarized outstanding debt by type.

	June 30,	
	2004	2003
General obligation bonds	\$ 220,000	250,000
Closure and postclosure care cost	375,700	338,900
Total	<u>\$ 595,700</u>	<u>588,900</u>

Additional information about the Association's long-term debt is presented in Notes 4 and 5 to the financial statements.

ECONOMIC FACTORS

Clarke County Sanitary Landfill Commission continued to improve its financial position during the current fiscal year. 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.
- 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 contract to operate, maintain and construct the landfill is subject to periodic renegotiation. The current contract expires on June 30, 2005. Future costs to operate the landfill could be higher than the current contract.

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 Clarke County Sanitary Landfill Commission, Clarke County Courthouse, 100 South Main Street, Osceola IA 50213.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
 Statements of Net Assets
 June 30, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
Current assets		
Cash	\$ 365,025	322,176
Accounts and interest receivable	<u>58,745</u>	<u>56,234</u>
	<u>423,770</u>	<u>378,410</u>
Restricted assets		
Cash	<u>106,638</u>	<u>26,267</u>
Capital assets		
Land improvements	796,121	796,121
Buildings and improvements	21,164	12,344
Equipment	<u>38,291</u>	<u>38,291</u>
	855,576	846,756
Less accumulated depreciation and amortization	<u>773,013</u>	<u>724,022</u>
	<u>82,563</u>	<u>122,734</u>
Bond issuance costs, net of accumulated amortization of \$10,754 (2003 - \$9,651)	<u>6,613</u>	<u>7,716</u>
	<u>\$ 619,584</u>	<u>535,127</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 9,793	10,544
Accrued payroll and payroll taxes	2,900	2,587
General obligation bonds due within one year	<u>30,000</u>	<u>30,000</u>
	<u>42,693</u>	<u>43,131</u>
Non-current liabilities		
General obligation bonds due after one year	190,000	220,000
Accrued closure and postclosure care expenses	<u>375,700</u>	<u>338,900</u>
	<u>565,700</u>	<u>558,900</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	(137,437)	(127,266)
Restricted for		
Closure	24,710	6,041
Postclosure care	81,928	20,226
Unrestricted	<u>41,990</u>	<u>34,095</u>
	<u>11,191</u>	<u>(66,904)</u>
	<u>\$ 619,584</u>	<u>535,127</u>

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
 Statements of Revenues, Expenses and
 Changes in Net Assets
 Years Ended June 30, 2004 and 2003

	2004	2003
Operating revenues		
Gate fees	\$ 358,342	347,026
County and city per capita assessments	124,000	124,000
	482,342	471,026
 Operating expenses		
Contractual costs	146,455	146,359
Engineering costs	28,483	28,996
Tonnage fees	22,150	22,539
Recycling fees	40,943	36,339
Household hazardous waste disposal training and supplies	2,984	-
Leachate testing and disposal	596	4,735
Wages	42,995	41,247
Payroll taxes	3,520	3,367
Insurance	3,469	3,501
Rock and materials	5,033	3,294
Repairs and maintenance	1,860	913
Depreciation and amortization	50,094	68,108
Utilities	2,597	2,642
Legal and accounting fees	2,280	2,215
Office supplies	1,756	1,238
Closure and postclosure care	36,800	42,682
Other	1,058	653
	393,073	408,828
Operating income	89,269	62,198
 Non operating revenues (expenses)		
Interest income	3,616	3,486
Interest expense	(14,790)	(16,395)
	(11,174)	(12,909)
 Change in net assets	78,095	49,289
Net assets (deficit)	(66,904)	(116,193)
Net assets (deficit)	\$ 11,191	(66,904)

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Statements of Cash Flows
Years Ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Cash received from gate fees	\$ 352,422	328,094
Cash received from per capita fees	127,931	114,878
Cash paid to suppliers for goods and services	(260,415)	(258,093)
Cash paid to employees for services	(46,202)	(44,792)
Net cash provided by operating activities	173,736	140,087
 Cash flows from capital and related financing activities		
Acquisition of capital assets	(8,820)	(3,441)
Payment of principal on general obligation bonds	(30,000)	(30,000)
Interest expense paid	(14,790)	(16,395)
Net cash used by capital and related financing activities	(53,610)	(49,836)
 Cash flows from investing activities		
Cash transferred to and reinvested in restricted account	(80,371)	(418)
Interest income received	3,094	3,503
Net cash provided (used) by investing activities	(77,277)	3,085
 Net increase in cash	42,849	93,336
 Cash, beginning of year	322,176	228,840
 Cash, end of year	\$ 365,025	322,176
 Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 89,269	62,198
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	50,094	68,108
Accrued closure and postclosure care expenses	36,800	37,700
Adjustments		
(Increase) decrease in accounts receivable	(1,989)	(28,054)
Increase (decrease) in accounts payable and accrued liabilities	(438)	135
Net cash provided by operating activities	\$ 173,736	140,087

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clarke County Sanitary Landfill Commission (the "Commission") was established as the result of an agreement under the provisions of Chapter 28E of the Iowa Code between the County of Clarke, Iowa and the municipalities of Osceola, Murray and Woodburn, being a majority of the local governmental jurisdictions comprising the Clarke County area.

The purpose of the Commission is to provide for the economic disposal, or collection and disposal, of all solid waste produced or generated within the prescribed area and to cooperate with local, State and Federal agencies in preventing the contamination and pollution of the land, water and air resources of the area, through the control, collection and disposal of solid waste.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and one individual selected by the representatives of the governing bodies.

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 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 Association 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. Clarke County Sanitary Landfill Commission has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Presentation - The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- C. Measurement Focus and Basis of Accounting – 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 applied all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- D. Assets, Liabilities and Net Investments – 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. At June 30, 2004 the Commission had no cash investments not meeting the definition of cash equivalents.

Restricted Assets – Funds set aside for payment of closure and postclosure care costs 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.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Investments (Continued) –
Capital Assets (Continued) –

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 improvements	\$ 25,000
Buildings and improvements	5,000
Equipment and vehicles	5,000

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)
Land improvements	3-20
Buildings and improvements	15-30
Equipment and vehicles	5-10

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.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2004 and 2003

3. CAPITAL ASSETS

A summary of capital assets at June 30, 2004 is as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets being depreciated:				
Land improvements	\$ 796,121	-	-	796,121
Buildings and improvements	12,344	8,820	-	21,164
Equipment	38,291	-	-	38,291
Total capital assets being depreciated	<u>846,756</u>	<u>8,820</u>	<u>-</u>	<u>855,576</u>
Less accumulated depreciation for:				
Land improvements	687,977	45,506	-	733,483
Buildings and improvements	2,759	589	-	3,348
Equipment	33,286	2,896	-	36,182
Total accumulated depreciation	<u>724,022</u>	<u>48,991</u>	<u>-</u>	<u>773,013</u>
Total capital assets, net	<u>\$ 122,734</u>	<u>(40,171)</u>	<u>-</u>	<u>82,563</u>

4. GENERAL OBLIGATION BONDS

The general obligation bonds are the legal obligation of Clarke County. However, it is the intent of the Commission to assume this liability each year and retire the bonds and interest from the operation of the landfill. Interest rates on the bonds range from 4.40% to 6.10%.

A summary of the bonded indebtedness and interest payable as of June 30, 2004 is as follows:

<u>Year Ending June 30</u>	<u>Bonds</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,000	12,855	42,855
2006	35,000	11,190	46,190
2007	35,000	9,213	44,213
2008	40,000	7,200	47,200
2009	40,000	4,840	44,840
2010	40,000	2,440	42,440
	<u>\$ 220,000</u>	<u>47,738</u>	<u>267,738</u>

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2004 and 2003

5. CLOSURE AND POSTCLOSURE CARE COSTS

To comply with Federal and State regulations, the Commission is required to complete a monitoring system plan and closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Government Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost 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.

The costs for the Commission have been estimated at \$152,240 for closure and \$493,980 for postclosure care for a total of \$646,220 as of June 30, 2004 and the portion of the liability that has been recognized is \$375,700. This liability represents the cumulative amount reported to date based on the use of approximately 58 percent of the capacity of the landfill with a remaining life of eighteen years. A provision for the above liability has been made on the Commission's balance sheet as of June 30, 2004, based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2004, assets of \$106,638 are restricted for these purposes, of which \$24,710 is for closure and \$81,928 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2004 and 2003

5. CLOSURE AND POSTCLOSURE CARE COSTS – Continued

Also, pursuant to Chapter 567-111.3(3) of the Iowa administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the letter of credit mechanism.

6. SOLID WASTE TONNAGE FEES RETAINED

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2004, there were no unspent amounts retained by the Commission and restricted for the required purposes.

7. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

8. CONTRACTUAL COSTS

The sanitary landfill is operated by a contractor under the terms of an operation agreement with the Commission. The agreement, which expires June 30, 2005, governs all aspects of the landfill operation and provides the contractor will provide all labor, tools, equipment and machinery required for a monthly fee of \$12,200.

9. ACCOUNTING AND REPORTING 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 balances of the Commission.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Clarke County Sanitary Landfill Commission

We have audited the financial statements of Clarke County Sanitary Landfill Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 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 Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance 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 noncompliance that are 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 Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items 04-1 and 04-5.

Internal Control Over Financial Reporting

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

This report, a public record by law, is intended solely for the information and use of the members and constituents of the Clarke County Sanitary Landfill 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 Clarke County Sanitary Landfill 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.

September 17, 2004

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

Reportable Condition:

04-A Segregation of Duties - During our review of the internal control over financial reporting, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Commission's financial statements. We noted that one individual performs all record-keeping and reconciliation functions for the Commission.

Recommendation - We realize that with a limited number of employees, segregation of duties is impractical. We recommend the Commission Board review monthly receipts and disbursements, accounts receivable and payable lists and bank reconciliations for unusual or unauthorized transactions.

Response and Corrective Action Planned - We have reviewed the number of staff necessary to perform accounting duties for the Commission and have no plans to add staff. The Commission Board is aware of the possibility for errors or irregularities to occur.

Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting:

04-1 Official Depositories - A resolution naming the official depositories for the Commission has been adopted by the Commission; however, one of the depositories and the maximum deposit amount were not specified.

Recommendation - A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response - A resolution naming official depositories with sufficient amounts will be adopted by the Commission and will be reviewed annually.

Conclusion - Response accepted.

04-2 Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Schedule of Findings (Continued)
Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

04-3 Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

04-4 Board Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.

04-5 Deposits and Investments - The Association has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa

Recommendation - The Commission should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the code of Iowa.

Response - The Commission will adopt a written investment policy as required.

Conclusion - Response accepted.

04-6 Solid Waste Fees Retainage - During the year ended June 30, 2004, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

04-7 Financial Assurance – The Commission has demonstrated financial assurance for closure and post closure care costs by obtaining a letter of credit as provided in Chapter 111.6(3) of the Iowa Administrative Code.