

HAMILTON COUNTY SOLID WASTE COMMISSION

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

JUNE 30, 2006

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Hamilton County Solid Waste Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Troy Hassebrock	Chairperson	City of Blairsburg
Gregg Wright	Vice Chairperson	City of Randall
Wes Sweedler	Member	Hamilton County
Dale Graham	Member	City of Ellsworth
Mickey Walker	Member	City of Jewell
Lendall Mechaelson	Member	City of Kamrar
Kempton Young	Member	City of Stanhope
Mike Nepereny	Member	City of Stratford
Eugene Gray	Member	City of Webster City
Roy Ronnfelt	Member	City of Williams
Gerald Kent	Secretary-Treasurer	

County Solid Waste Commission

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P.O. BOX 485
WEBSTER CITY, IOWA 50595
(515) 832-4783
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Independent Auditor's Report

To the Members of the Hamilton County Solid Waste Commission:

We have audited the accompanying financial statement of the Hamilton County Solid Waste Commission as of and for the year ended June 30, 2006. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statement based on our audit.

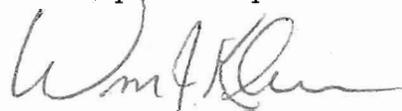
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 Hamilton County Solid Waste Commission as of June 30, 2006, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2006 on our consideration of the Hamilton County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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



William J. Klein, CPA
Webster City, Iowa

August 29, 2006

Hamilton County Solid Waste Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Hamilton County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of Hamilton County Solid Waste Commission is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2006 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts increased 8.5%, or approximately \$53,000, from fiscal 2005 to fiscal 2006.
- ◆ Operating disbursements increased 12.8%, or approximately \$85,000, from fiscal 2005 to fiscal 2006.
- ◆ Cash basis net assets decreased 8%, or approximately \$126,000, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The Commission 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 the 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, readers 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 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 Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's 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 COMMISSION

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 Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Commission'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. Currently assessments are not charged to members. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2006 and June 30, 2005 are presented below:

Changes in Cash Basis Net Assets

	Year ended June 30	
	2006	2005
Operating receipts:		
Solid waste fees	\$655,506	\$597,728
Farm income	\$7,913	\$7,256
Scrap sales	\$10,324	\$8,168
Miscellaneous	\$525	\$8,038
Total operating receipts	\$674,268	\$621,190
Operating disbursements:		
Operating Expenses	\$557,332	\$662,504
Closure	\$18,235	\$0
Other	\$7,594	\$6,098
Total operating disbursements	\$583,161	\$668,602
Excess of operating receipts over operating disbursements	\$91,107	(\$47,412)
Non-operating receipts (disbursements)		
Interest on investments	\$56,896	\$31,476
Building grounds and equipment	(\$22,164)	(\$5,889)
Net non-operating receipts (disbursements)	\$34,732	\$25,587
Net change in cash basis net assets	\$125,839	(\$21,825)
Cash basis net assets beginning of year	\$1,574,023	\$1,595,848
Cash basis net assets end of year	\$1,699,862	\$1,574,023
Cash Basis Net Assets		
Re Closure		
Postclosure care	\$141,484	\$152,950
Transfer station closure	\$916,118	\$881,730
	\$2,693	\$1,585
Total restricted net assets	\$1,060,295	\$1,036,265
Unrestricted	\$639,567	\$537,758
Total cash basis net assets	\$1,699,862	\$1,574,023

In fiscal 2006, operating receipts increased by \$53,078, or 8.5%, over fiscal 2005. The increase was primarily a result of solid waste fees increasing by \$57,778 due to an increase in utilization. In fiscal 2006, operating disbursements decreased by \$85,441, or 12.8%, from fiscal 2005. The decrease in disbursements was primarily due a change in contract from Rural Iowa Waste Management Association to North Central IA Regional Solid Waste Agency.

A portion of the Commission's net assets, \$1,060,295 (62%), is 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 remaining net assets, \$639,567 (38%), are unrestricted net assets that can be used to meet the Commission's obligations as they come due. Restricted net assets increased \$24,030, or 2%, during the year. The increase was due to additional funds set aside for closure and postclosure care. Unrestricted net assets increased \$101,809, or 19%, during the year due to increased revenues and decreased operating expenses.

LONG-TERM DEBT

At June 30, 2006, the Commission had no long term debt outstanding.

ECONOMIC FACTORS

The financial position of the Commission did improve in the current fiscal year. 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 require constant maintenance and upkeep.
- ◆ The 2007 deadline for all of Iowa's landfills to become Subtitle D compliant, which means the Commission will need to close the present landfill cell and build a new compliant cell or send solid waste elsewhere.
- ◆ 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 Commission anticipates the current fiscal year will be one of transition as it makes important decisions regarding the future of solid waste in this planning area.

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 its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hamilton County Solid Waste Commission, P.O. Box 128, Webster City, Iowa 50595.

Hamilton County Solid Waste Commission

Financial Statement

Hamilton County Solid Waste Commission
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

Year ended June 30, 2006

Operating receipts:		
Solid waste fees	\$	655,506
Farm income		7,913
Scrap sales		10,324
Miscellaneous		525
Total operating receipts		674,268
Operating disbursements:		
Salaries and benefits		169,597
Solid waste contract fees		143,128
Iowa Department of Natural Resources tonnage fee		26,107
Regulatory assistance/engineering		27,232
Tire disposal		3,021
Appliance removal		19,640
Equipment maintenance		45,461
Ground water monitoring/inspecting		11,458
Road gravel		560
Legal, accounting and auditing		8,054
Office equipment and supplies		4,823
Utilities		6,769
Closure		18,235
Insurance		12,956
Diesel, Gasoline and propane		30,416
Dirt removal		48,110
Miscellaneous		7,594
Total operating disbursements		583,161
Excess of operating receipts over operating disbursements		91,107
Non-operating receipts (disbursements)		
Interest on investments		56,896
Building grounds and equipment		-22,164
Net non-operating receipts (disbursements)		34,732
Net change in cash basis net assets		125,839
Cash basis net assets beginning of year		1,574,023
Cash basis net assets end of year	\$	1,699,862
Cash Basis Net Assets		
Restricted for:		
Closure	\$	141,484
Post-closure care		916,118
Transfer station closure		2,693
Total restricted net assets		1,060,295
Unrestricted		639,567
Total cash basis net assets	\$	1,699,862

Hamilton County Solid Waste Commission

Notes to Financial Statement

June 30, 2006

(1) Summary of Significant Accounting Policies

The Hamilton County Solid Waste Commission was formed in 1974 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste facilities in Hamilton County on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each member. The members of the Commission include Hamilton County and the cities of Blairsburg, Ellsworth, Jewell, Kamrar, Randall, Stanhope, Stratford, Webster City, and Williams. Each member of the Commission has one vote for each person residing within the jurisdiction of the governmental unit they represent.

A. Reporting Entity

For financial reporting purposes, the Hamilton County Solid Waste 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 statement 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 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 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 Hamilton County Solid Waste Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission 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. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U. S. generally accepted accounting principles.

D. Net Assets

Funds set aside for payment of closure, postclosure care, and transfer station closure are classified as restricted.

(2) **Cash and Investments**

The Commission's deposits in banks at June 30, 2006 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 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.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2006 the Commission had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificate of Deposit	<u>\$1,053,900</u>	November 2006

Interest rate risk. The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within one year. Funds not identified as operating funds may be invested in investments with maturities no longer than two years but the maturities shall be consistent with the needs and use of the Commission.

Credit risk. The Commission's certificate of deposit at June 30, 2006 is covered by the Commission's depository resolution (see paragraph one).

Concentration of credit risk. The Commission places no limit on the amount that may be invested in any one issuer. The Commission's investment in the certificate of deposit is 100 percent of the Commission's total investments.

(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 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 salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$7,368, \$7,458 and \$7,386, respectively, equal to the required contributions for each year.

(4) Closure and Postclosure Care

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated to be \$141,484 for closure and \$916,118 for postclosure, for a total of \$1,057,602 as of June 30, 2006. The estimated remaining life of the landfill is .5 years, with approximately 95 percent of the landfill's capacity used at June 30, 2006.

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 Commission has begun to accumulate resources to fund these costs and, at June 30 2006, assets of \$1,057,602 are restricted for these purposes, of which \$141,484 is for closure and \$916,118 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. As of June 30, 2006 the closure and postclosure estimated costs are fully funded.

(5) Transfer Station Closure Care

To comply with State regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on the site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with State regulations, the Commission is required to maintain a closure account as financial assurance for the closure care costs. The effect of the State requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure costs for the Commission as of June 30, 2006 have been estimated at \$6,033. The balance has been restricted and will require three annual deposits of \$1,113 per year.

(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. At June 30, 2006, the Commission had \$1,557 in unspent tonnage fees.

(7) Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 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 disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended June 30, 2006 were \$12,956.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, 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.

(8) North Central IA Regional Solid Waste Agency Contract

The Commission has entered into a contract, effective July 1, 2005, with North Central IA Regional Solid Waste Agency to provide for the disposal of all solid waste and recyclable materials generated within the Commission's jurisdiction. The contract requires per capita assessments and buy-in payments of \$115,248 per year for 15 years. It is estimated that the Commission will make full use of the facility on or about January 1, 2007. Total costs incurred under the contract for the year ended June 30, 2006 were \$115,248.

Minimum future costs under the contract are as follows:

6-30-07	\$ 115,248
6-30-08	115,248
6-30-09	115,248
6-30-10	115,248
6-30-11	115,248
Thereafter	<u>1,037,232</u>
	<u>\$1,613,472</u>

(9) Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These

accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation payments at June 30, 2006 was \$4,296. This liability has been computed based on rates of pay in effect at June 30, 2006.

(10) Subsequent Events

By October 1, 2007, Iowa solid waste landfills must meet the national Municipal Solid Waste Landfill Criteria for artificial liners under the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. Non-compliant landfills must implement closure requirements by October 1, 2007 for all cells not meeting RCRA Subtitle D liner requirements and may construct new cells that are in compliance if they are to continue accepting solid waste for disposal. Hamilton County Solid Waste Commission plans to close all existing cells not in compliance with the requirements.

Effective June 30, 2005, the Commission terminated its contract with Rural Iowa Waste Management Association for the disposal of solid waste materials and recyclables. The contract was terminated to allow the Commission to enter into a contract with North Central IA Regional Solid Waste Agency (see note 7). The cost to cancel this contract was negotiated and subsequent to June 30, 2006 was agreed to be \$155,000.

**Independent Auditor's Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Hamilton County Solid Waste Commission



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Independent Auditor's Report on
Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Hamilton County Solid Waste Commission:

We have audited the accompanying financial statement of the Hamilton County Solid Waste Commission as of and for the year ended June 30, 2006, and have issued our report thereon dated August 29, 2006. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hamilton County Solid Waste Commission'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 an opinion 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 Hamilton County Solid Waste Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. 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 caused by error or fraud 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, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hamilton County Solid Waste Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported

under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement 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.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Hamilton County Solid Waste 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 Hamilton County Solid Waste 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.



William J. Klein, CPA
Webster City, Iowa

August 29, 2006

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statement:

REPORTABLE CONDITION:

- (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 transactions to accounting records and reconciling payments to receivable records.

Recommendation – The Commission should designate a member of the Board to provide additional control through review of financial transactions to help ensure accounts receivable charges and payments on account are properly recorded and deposited intact.

Response – As per the auditor's request, the Commission has developed a procedure where the Director will review totals from the receipt ledger against the manual totals figured by Scale Office Personnel. Discrepancies will be reviewed and reconciled.

The Director reviews the Accounts Receivable Aging Report each month to make sure payments are being properly recorded to charge accounts. Letters are sent to accounts that are past due over forty days.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes – No transactions were found that we believe that should have been approved in the Commission minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted, except as follows:.

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2006

- (5) Solid Waste Fees Retainage – During the year ended June 30, 2006, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (6) Financial Assurance – The Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-111.6(9) of the Iowa Administrative Code (IAC). As of June 30, 2006, the Commission has fully funded the estimated costs of closure and postclosure.
- (7) Bids for Audit – The Commission did not seek bids for the performance of the annual audit for the year ended June 30, 2006.

Recommendation – The Commission should request bids for the annual audit.

Response – There is only one CPA firm in Webster City, however the Commission will consider requests for proposals to perform the audit for the year ending June 30, 2007.

Conclusion – Response accepted.

Hamilton County Solid Waste Commission

Staff

This audit was performed by:

William J. Klein, CPA, Owner

William J. Klein, CPA
Webster City, Iowa