

CLARKE COUNTY SANITARY LANDFILL COMMISSION

Financial Statements
(With Independent Auditor's Reports Thereon)
June 30, 2009 and 2008



Shull
and Co. P.C.
certified public accountants

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	
Harley Pippin	Member	At Large
Randy Wright	Member	City of Woodburn
David Gorsline (through September 2008)	Member	City of Osceola
James Kimball (after September 2008)	Member	City of Osceola
Robert Fisher	Member	City of Murray



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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, 2009 and 2008. 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 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 basic 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, 2009 and 2008, 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 October 30, 2009 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 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 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.

October 30, 2009

CLARKE COUNTY SANITARY LANDFILL COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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, 2009. 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 3.6%, or \$18,544 from fiscal 2008 to fiscal 2009 due a \$7 increase (19%) in per ton gate fees effective January 1, 2009.
- The Association's operating expenses were 24.3%, or \$120,295 higher in fiscal 2009 than in fiscal 2008.
- The Association's net assets decreased \$70,198 from June 30, 2008 to June 30, 2009.

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 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.

CLARKE COUNTY SANITARY LANDFILL COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2009

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 at the end of fiscal 2009 totaled approximately \$471,000. This compares to net assets of approximately \$541,000 at the end of fiscal 2008.

\$485,916 of the Commission's net assets 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 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 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 2009, operating revenues increased by \$18,544, or 3.6% primarily as a result of increased gate fees. Operating expenses increased by \$120,295 or 24.3%. The increase was primarily a result of an increase in estimated closure and postclosure care expenses.

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, 2009, the Association had approximately \$361,000 invested in capital assets, net of accumulated depreciation of approximately \$941,000. Depreciation charges totaled \$41,972 for fiscal 2009. 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, 2009

LONG-TERM DEBT

At June 30, 2009, the Association had \$584,069 in debt outstanding, an increase of \$142,149 from 2008. The table below summarizes outstanding debt by type.

	June 30,	
	2009	2008
General obligation bonds	\$ 40,000	80,000
Closure and postclosure care cost	544,069	361,920
Total	<u>\$ 584,069</u>	<u>441,920</u>

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

ECONOMIC FACTORS

During the current fiscal year, the financial position of Clarke County Sanitary Landfill Commission deteriorated. In addition, 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:

- The Commission has agreed to stop accepting waste no later than December 31, 2011.
- 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 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, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Current assets		
Cash	\$ 236,906	560,140
Accounts and interest receivable	<u>58,021</u>	<u>70,945</u>
	<u>294,927</u>	<u>631,085</u>
Restricted assets		
Cash	<u>485,916</u>	<u>312,907</u>
Capital assets		
Land improvements	1,153,304	908,342
Buildings and improvements	110,186	30,111
Equipment	<u>39,939</u>	<u>39,939</u>
	1,303,429	978,392
Less accumulated depreciation and amortization	<u>941,539</u>	<u>899,567</u>
	<u>361,890</u>	<u>78,825</u>
Bond issuance costs, net of accumulated amortization of \$16,269 (2008 - \$15,166)	<u>1,099</u>	<u>2,201</u>
	<u>\$ 1,143,832</u>	<u>1,025,018</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 85,461	38,315
Accrued payroll and payroll taxes	2,910	3,193
General obligation bonds due within one year	<u>40,000</u>	<u>40,000</u>
	<u>128,371</u>	<u>81,508</u>
Non-current liabilities		
General obligation bonds due after one year	-	40,000
Accrued closure and postclosure care expenses	<u>544,069</u>	<u>361,920</u>
	<u>544,069</u>	<u>401,920</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	321,890	(1,175)
Restricted for		
Closure	127,658	87,951
Postclosure care	358,258	224,956
Unrestricted	<u>(336,414)</u>	<u>229,858</u>
	<u>471,392</u>	<u>541,590</u>
	<u>\$ 1,143,832</u>	<u>1,025,018</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, 2009 and 2008

	2009	2008
Operating revenues		
Gate fees	\$ 405,015	389,736
County and city per capita assessments	124,000	124,000
Sales of scrap	6,432	3,167
	535,447	516,903
Operating expenses		
Contractual costs	173,012	162,000
Engineering costs	42,181	70,842
Tonnage fees	23,004	25,822
Recycling fees	38,373	39,539
Leachate testing and disposal	7,483	9,219
Wages	52,043	52,997
Payroll taxes	4,271	4,411
Insurance	8,063	5,537
Repairs and maintenance	12,904	25,463
Depreciation and amortization	43,075	75,600
Utilities	2,640	2,538
Legal and accounting fees	19,846	3,526
Office supplies	1,912	1,758
Closure and postclosure care	182,149	12,252
Other	3,756	2,913
	614,712	494,417
Operating income (loss)	(79,265)	22,486
Non operating revenues (expenses)		
Interest income	14,307	32,747
Interest expense	(5,240)	(7,600)
	9,067	25,147
Change in net assets	(70,198)	47,633
Net assets, beginning of year	541,590	493,957
Net assets, end of year	\$ 471,392	541,590

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
 Statements of Cash Flows
 Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Cash received from gate fees	\$ 405,826	374,326
Cash received from per capita fees	127,931	120,069
Cash received from sales of scrap and grant reimbursements	6,432	3,167
Cash paid to suppliers for goods and services	(286,028)	(325,612)
Cash paid to employees for services	(56,597)	(57,733)
Net cash provided by operating activities	197,564	114,217
 Cash flows from capital and related financing activities		
Acquisition of capital assets	(325,038)	-
Payment of principal on general obligation bonds	(40,000)	(40,000)
Interest expense paid	(5,240)	(7,600)
Net cash used by capital and related financing activities	(370,278)	(47,600)
 Cash flows from investing activities		
Cash transferred to and reinvested in restricted account	(173,009)	(102,485)
Interest income received	22,489	28,335
Net cash used by investing activities	(150,520)	(74,150)
 Net increase (decrease) in cash	(323,234)	(7,533)
 Cash, beginning of year	560,140	567,673
 Cash, end of year	\$ 236,906	560,140
 Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (79,265)	22,486
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	43,075	75,600
Accrued closure and postclosure care expenses	182,149	12,252
(Increase) decrease in accounts receivable	4,742	(19,341)
Increase (decrease) in accounts payable and accrued liabilities	46,863	23,220
Net cash provided by operating activities	\$ 197,564	114,217

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2009 and 2008

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, 2009 and 2008

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. Cash investments not meeting the definition of cash equivalents at June 30, 2009 include certificates of deposit of \$115,437.

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, 2009 and 2008

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.

<u>Asset Class</u>	<u>Amount</u>
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:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
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, 2009 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.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2009 and 2008

3. CAPITAL ASSETS

A summary of capital assets at June 30, 2009 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	\$ 908,342	244,962	-	1,153,304
Buildings and improvements	30,111	80,075	-	110,186
Equipment	39,939	-	-	39,939
Total capital assets being depreciated	<u>978,392</u>	<u>325,037</u>	<u>-</u>	<u>1,303,429</u>
Less accumulated depreciation for:				
Land improvements	853,429	40,296	-	893,725
Buildings and improvements	7,671	1,130	-	8,801
Equipment	38,467	546	-	39,013
Total accumulated depreciation	<u>899,567</u>	<u>41,972</u>	<u>-</u>	<u>941,539</u>
Total capital assets, net	<u>\$ 78,825</u>	<u>283,065</u>	<u>-</u>	<u>361,890</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. The interest rate on the remaining bonds is 6.1%.

A summary of the bonded indebtedness and interest payable as of June 30, 2009 is as follows:

<u>Year Ending June 30</u>	<u>Bonds</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 40,000	2,440	42,440

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2009 and 2008

5. CLOSURE AND POSTCLOSURE CARE COSTS

In December 2008 the Commission entered into an administrative consent order with the Iowa Department of Natural Resources agreeing to close all active cells and accept no additional waste after December 31, 2011.

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 \$218,537 for closure and \$613,303 for postclosure care for a total of \$831,840 as of June 30, 2009 and the portion of the liability that has been recognized is \$544,069. This liability represents the cumulative amount reported to date based on the use of approximately 65 percent of the capacity of the landfill with a remaining life of two and one-half years. A provision for the above liability has been made on the Commission's balance sheet as of June 30, 2009, based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2009 and 2008

5. CLOSURE AND POSTCLOSURE CARE COSTS – Continued

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, 2009, assets of \$485,916 are restricted for these purposes, of which \$127,658 is for closure and \$358,258 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets.

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, 2009, 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, 2009, 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 \$14,500 plus additional fees for placing final cover or disposal of contaminated soil.



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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 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 year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. 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 Clarke County Sanitary Landfill Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarke County Sanitary Landfill Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke County Sanitary Landfill Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clarke County Sanitary Landfill Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Clarke County Sanitary Landfill Commission's that is more than inconsequential will not be prevented or detected by Clarke County Sanitary Landfill Commission's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Clarke County Sanitary Landfill Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described is a material weakness.

Compliance and Other Matters

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 contract and grant agreements, 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, 2009 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.

Clarke County Sanitary Landfill Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Clarke County Sanitary Landfill Commission's responses and, accordingly, we express no opinion on them.

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.

October 30, 2009

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Schedule of Findings
Year ended June 30, 2009

Findings Related to the Financial Statements:

Significant Deficiency:

09-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. In addition, we have formalized Board review of monthly financial information, including lists of accounts receivable and accounts payable and the bank reconciliations.

Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting:

09-1 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.

09-2 Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

09-3 Board Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Schedule of Findings (Continued)
Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting – Continued:

09-4 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.

09-5 Solid Waste Fees Retainage - During the year ended June 30, 2008, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

09-6 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.