

HAMILTON COUNTY SOLID WASTE COMMISSION

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

JUNE 30, 2010

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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
Ronnie McKenzie	Member	City of Stanhope
Mike Nepereny	Member	City of Stratford
Eugene Gray	Member	City of Webster City
Dennis Frayne	Member	City of Williams
Cherie Ferguson	Secretary-Treasurer	

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
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, 2010. 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, 2010, 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 March 24, 2011 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 6 through 8 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.

Potter & Brant, P.L.C.

Potter & Brant, P.L.C.
Certified Public Accountants
Webster City, Iowa
March 24, 2011

**Hamilton County Solid Waste Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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, 2010. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2010 FINANCIAL HIGHLIGHTS

Operating receipts increased 17%, or approximately \$165,600, from fiscal year 2009 to fiscal year 2010.

Operating disbursements decreased 31%, or approximately \$461,600, from fiscal year 2009 to fiscal year 2010.

Cash basis net assets increased 8%, or approximately \$109,900, from June 30, 2009 to June 30, 2010.

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 the 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 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 cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to the 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 and assessments from the members of the Commission. 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 the cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2010 and June 30, 2009 is as follows:

CHANGES IN CASH BASIS NET ASSETS

	Year Ended June 30,	
	2010	2009
OPERATING RECEIPTS:		
Gate charges	\$ 840,833	\$ 772,504
Farm income	-	620
Assessments	181,074	181,074
Scrap sales	7,904	2,431
Regional collection center grant	90,000	120
Other	3,203	713
Total operating receipts	1,123,014	957,462
OPERATING DISBURSEMENTS:		
North Central - Gate	461,379	411,725
North Central - Buy In	172,872	472,872
Other	410,517	621,752
Total operating disbursements	1,044,768	1,506,349
Excess (deficiency) of operating receipts over operating disbursements	78,246	(548,887)
NON-OPERATING RECEIPTS (DISBURSEMENTS):		
Interest on investments	31,646	53,268
Net non-operating receipts (disbursements)	31,646	53,268
Net change in cash basis net assets	109,892	(495,619)
Cash basis net assets beginning of year	1,445,298	1,940,917
Cash basis net assets end of year	\$ 1,555,190	\$ 1,445,298
CASH BASIS NET ASSETS:		
Restricted for:		
Post Closure Reserve	\$ 934,034	\$ 937,812
DNR State Retainage	8,082	8,082
Recycling Reserve	37,298	38,503
Landfill Closure Reserve	(18,974)	24,783
Transfer Station Closure	16,087	14,026
Total restricted net assets	976,527	1,023,206
Unrestricted	578,663	422,092
Total cash basis net assets	\$ 1,555,190	\$ 1,445,298

In fiscal 2010, operating receipts increased \$165,600, or 17%, over fiscal year 2009. The increase was primarily a result of increased gate charges of \$68,300 and a grant of \$90,000. In fiscal 2010, operating disbursements decreased \$461,600, or 31%, over fiscal year 2009. The decrease in disbursements was primarily due to advance payments on the North Central IA Regional Solid Waste Agency contract of \$300,000 in the prior fiscal year and decreased equipment disbursements of \$148,700.

A portion of the Commission's net assets, \$976,527 (63%), is restricted for closure care, postclosure care, DNR state retainage and recycling reserve funds. 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, \$578,663 (37%), are unrestricted net assets which can be used to meet the Commission's obligations as they come due. Restricted net assets decreased \$46,679, or 5%, during the year. The decrease was due to increased disbursements for landfill closure. Unrestricted net assets increased \$156,571, or 37%, during the year due to increased gate charges and a grant.

LONG-TERM DEBT

At June 30, 2010, 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.
- 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.

BUDGETARY AMENDMENTS

Over the course of the year, the Commission amended its budget three times. The amendments were approved on October 14, 2009, November 11, 2009 and January 13, 2010 and resulted in an increase in operating receipts and disbursements.

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 any questions about this report or need additional financial information, contact the Hamilton County Solid Waste Commission, Webster City, Iowa 50595.

FINANCIAL STATEMENT

Hamilton County Solid Waste Commission
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BASIS NET ASSETS
For the Year Ended June 30, 2010

OPERATING RECEIPTS:

Gate charges	\$ 840,833
Assessments	181,074
Scrap sales	7,904
Regional collection center grant	90,000
Other	3,203
Total operating receipts	<u>1,123,014</u>

OPERATING DISBURSEMENTS:

Salaries and benefits	173,379
North Central - Gate	461,379
North Central - Buy In	172,872
Engineering fees	28,127
Legal, accounting and auditing fees	7,883
General and liability insurance	10,809
Office expenses and supplies	4,552
Utilities	10,524
Telephone	1,343
Commission fees	2,323
Travel	1,244
Equipment rental	1,957
Building supplies and repairs	6,490
Diesel, gasoline and oil	25,399
Vehicle expenses	36,376
Appliance removal	9,672
Laboratory testing	3,966
Closure disbursements	75,122
Sales Tax	7,350
Miscellaneous expenses	4,001
Total operating disbursements	<u>1,044,768</u>

Excess of operating receipts over operating disbursements 78,246

NON-OPERATING RECEIPTS (DISBURSEMENTS):

Interest on investments	31,646
Net non-operating receipts (disbursements)	<u>31,646</u>

Net change in cash basis net assets 109,892

Cash basis net assets beginning of year 1,445,298

Cash basis net assets end of year \$ 1,555,190

CASH BASIS NET ASSETS:

Restricted for:	
Post Closure Reserve	\$ 934,034
DNR State Retainage	8,082
Recycling Reserve	37,298
Landfill Closure Reserve	(18,974)
Transfer Station Closure	16,087
Total restricted net assets	<u>976,527</u>
Unrestricted	578,663
Total cash basis net assets	<u><u>\$ 1,555,190</u></u>

See accompanying notes to financial statement.

Hamilton County Solid Waste Commission
NOTES TO FINANCIAL STATEMENT
June 30, 2010

(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 Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission are 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.

Hamilton County Solid Waste Commission
NOTES TO FINANCIAL STATEMENT
June 30, 2010

D. Net Assets

Funds set aside for payment of closure and postclosure care, DNR State Retainage, Recycling Reserve, and Transfer Station Closure are classified as restricted.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2010 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; time deposits 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, 2010 the Commission had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Time Deposit	<u>\$ 983,700</u>	<u>\$ 983,700</u>	December 2010

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 longer than one year, but the maturities shall be consistent with the needs and use of the Commission.

Credit risk. The Commission's time deposit at June 30, 2010 is covered by the Commission's depository resolution (see paragraph one).

(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 4.30% of their annual salary and the Commission is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$7,772, \$8,186 and \$7,686, respectively, equal to the required contributions for each year.

Hamilton County Solid Waste Commission
NOTES TO FINANCIAL STATEMENT
June 30, 2010

(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 year. 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 \$0 for closure and \$961,230 for postclosure, for a total of \$961,230 as of June 30, 2010. The Commission entered into a contract on July 22, 2008 to begin the landfill closure project.

Chapter 455B.306(9)(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 to accumulate resources to fund these costs and, at June 30, 2010, assets of \$915,060 are restricted for these purposes, of which (\$18,974) is for closure and \$934,034 is for postclosure care. They are reported as restricted cash basis net assets in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-113.14 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 dedicated fund financial assurance mechanism. Under this mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

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

Hamilton County Solid Waste Commission
NOTES TO FINANCIAL STATEMENT
June 30, 2010

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

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

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(5) 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.

(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, 2010, the Commission had no 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 634 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 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

Hamilton County Solid Waste Commission
NOTES TO FINANCIAL STATEMENT
June 30, 2010

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, 2010 were \$10,809.

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 \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

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, 2010, 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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 \$172,872 per year for 15 years. Total costs incurred under the contract for the year ended June 30, 2010 were \$172,872.

Minimum future costs under the contract are as follows:

6-30-11	\$ 172,872
6-30-12	172,872
6-30-13	172,872
6-30-14	172,872
6-30-15	172,872
Thereafter	<u>519,360</u>
	<u>\$1,383,720</u>

Hamilton County Solid Waste Commission
NOTES TO FINANCIAL STATEMENT
June 30, 2010

(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 at June 30, 2010 was \$4,312. This liability has been computed based on rates of pay in effect at June 30, 2010.

Commission employees accumulate a limited amount of earned but unused sick leave hours for subsequent use. A percentage of unused hours is paid 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 sick leave at June 30, 2010 was \$4,816. This liability has been computed based on rates of pay in effect at June 30, 2010.

(10) Customer Concentration

The Commission derived approximately 71% of its gate charges for the fiscal year ended June 30, 2010 from The Trash Man. The loss of this major customer would have a material adverse effect on the Commission.

(11) Subsequent Events

Effective July 1, 2010, the City of Stratford withdrew from the Commission. According to the Commission's 28E Agreement, the City of Stratford could be entitled to a portion of the Commission's net assets. This amount has not yet been determined.

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

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

The Board of Trustees
Hamilton County Solid Waste Commission
Webster City, Iowa

We have audited the accompanying financial statement of Hamilton County Solid Waste Commission as of and for the year ended June 30, 2010, and have issued our report thereon dated March 24, 2011. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of Hamilton County Solid Waste Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hamilton County Solid Waste 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Hamilton County Solid Waste Commission's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings to be 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 which 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, 2010 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.

The Hamilton County Solid Waste Commission's written response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Commission's response, we did not audit Hamilton County Solid Waste Commission's response and, accordingly, we express no opinion on it.

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 and 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.

Potter & Brant, P.L.C.

Potter & Brant, P.L.C.
Certified Public Accountants
Webster City, Iowa
March 24, 2011

**Hamilton County Solid Waste Commission
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010**

Findings Related to the Financial Statement

INTERNAL CONTROL DEFICIENCIES:

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. Generally, one employee has primary control over receipts and disbursements, including collecting, depositing, posting, check signing and reconciling, for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons, such as board members, to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff. The Transfer Station Manager reviews deposits and disbursements with the Secretary/Treasurer. The Board also reviews all disbursements and receipts at the monthly Board meetings. These transactions are properly approved and if questioned, actual receipts are reviewed.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Other Findings Related to Required Statutory Reporting

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.

TRAVEL EXPENSE

No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.

COMMISSION MINUTES

No transactions were found that we believe should have been approved in the Commission minutes but were not.

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.

SOLID WASTE FEES RETAINAGE

No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

**Hamilton County Solid Waste Commission
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010**

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 567-113.14(6) of the Iowa Administrative Code (IAC).

	<u>Closure Care</u>	<u>Postclosure Care</u>
Total estimated costs for closure and postclosure care	\$ - 0 -	961,230
Less: Balance of funds held in the local dedicated fund at June 30, 2009	<u>24,783</u>	<u>937,812</u>
	- 0 -	23,418
Divided by the number of years remaining in the pay-in-period	<u>÷ 1</u>	<u>÷ 1</u>
Required payment into the local dedicated fund for the year ended June 30, 2010	- 0 -	23,418
Balance of funds held in the local dedicated fund at June 30, 2009	<u>24,783</u>	<u>937,812</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2010	<u>\$ - 0 -</u>	<u>961,230</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2010	<u>\$ (18,974)</u>	<u>934,034</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year.

Recommendation – The Commission should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Administrative Code requirements. In addition, the Commission should ensure deposits are made within 30 days of the fiscal year end to comply with Iowa Department of Natural Resources rules and regulations.

Response – The Commission has our engineering consultants do the estimates for financial assurance. The deposits had not been made within the 30 days of the fiscal year end. The required deposit will be made in May 2011. In the future, the Commission will hold the vote in May in order to get funds moved prior to the June 30th end of the fiscal year.

Conclusion – Response accepted.

BIDS FOR AUDIT

The Commission did not seek bids for the performance of the annual audit for the year ended June 30, 2010.

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

Response – The Commission will submit requests for proposals to perform the audit for the year ending June 30, 2011.

Conclusion – Response accepted.