

**HARRISON COUNTY  
LANDFILL COMMISSION  
Independent Auditors' Report  
June 30, 2012 and 2011**

# HARRISON COUNTY LANDFILL COMMISSION

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## HARRISON COUNTY LANDFILL COMMISSION

### OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Robert Smith	Executive Board - Chairman	Harrison County Rural
Sherman Struble	Executive Board - Vice-Chairman	City of Missouri Valley
Randy Fetter	Executive Board -Treasurer-Secretary	City of Logan
Charles Carrigan	Executive Board - At-Large	City of Dunlap
Karen Breyfogle	Executive Board - At Large	City of Mondamin
Michelle Rhoten	Executive Board - At Large	City of Magnolia
Paul Marshall	Board Member	City of Woodbine
Janet Herman	Board Member	City of Modale
Ann Earlywine	Board Member	City of Little Sioux
Sarah Clark	Board Member	City of Persia
Cindy Chlupacek	Board Member	City of Pisgah
Dan Barry	Manager	



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## INDEPENDENT AUDITORS' REPORT

To the Members of the Harrison  
County Landfill Commission

We have audited the accompanying financial statements of Harrison County Landfill Commission as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial and compliance 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement 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 respective financial position of the Harrison County Landfill Commission at June 30, 2012 and 2011, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2012, on our consideration of Harrison County Landfill Commission's internal control over financial reporting and on 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
Certified Public Accountants

Onawa, Iowa  
September 6, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Harrison County 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 years ended June 30, 2012 and 2011. We encourage readers to consider this information in conjunction with the Harrison County Landfill Commission's financial statements which follow.

### FINANCIAL HIGHLIGHTS

- The Commission's operating revenues increased 4.0% or \$41,658, from fiscal year 2011 to fiscal year 2012. City and County assessments remained the same. Tipping fees increased 8.1% or \$51,581.
- The Commission's operating and capital expenses increased 10.7% or \$62,908, from fiscal year 2011 to fiscal year 2012, because of minor construction of roads, an increase in equipment repairs, and state tonnage fees.

### USING THIS ANNUAL REPORT

The Harrison County Landfill Commission is a special purpose government accounted for as a single Business-Type Activity 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 Harrison County 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.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal year 2012 totaled \$495,940 which increased \$445,774. A summary of the Commission's net assets is presented below.

	June 30, 2012	June 30, 2011
Current Assets	\$ 919,734	\$ 723,524
Restricted Investments	914,766	828,135
Capital Assets at Cost, Less Accumulated Depreciation	1,177,083	1,182,567
Bond Issuance Costs	-	5,000
Total Assets	3,011,583	2,739,226
Current Liabilities	74,405	272,595
Long Term Liabilities	2,441,238	2,416,465
Total Liabilities	2,515,643	2,689,060
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,177,083	967,567
Restricted For:		
Tonnage Fees Retained	38,345	27,668
Unrestricted	(719,488)	(945,069)
Total Net Assets	\$ 495,940	\$ 50,166

The invested in capital assets \$1,177,083, e.g. land, buildings, and equipment, less the related debt portion of the net assets, are resources allocated to capital assets. The remaining net assets are restricted for closure and post-closure care and for tonnage fees due to the State of Iowa. State and Federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

### *Statement of Revenues, Expenses, and Changes in Net Assets*

Operating revenues are received for tipping fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net assets for the years ended June 30, 2012 and 2011 is presented below.

**Statements of Revenues, Expenses and Changes in Net Assets**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
County and City Assessments	\$ 373,275	\$ 373,273
Tipping Fees	691,678	640,097
Miscellaneous	11,359	21,284
Total Operating Revenues	<u>1,076,312</u>	<u>1,034,654</u>
<b>OPERATING EXPENSES</b>		
Payroll Expenses	210,961	210,811
Employee Benefits	34,321	40,664
Machinery Maintenance, Labor and Parts	62,885	27,082
Oil and Gas	58,569	37,705
Long Range Planning and Engineering Services	26,555	37,028
Site Maintenance	16,008	5,275
Site Utilities	8,601	6,163
Supplies	4,151	3,921
Office Expenses	3,402	3,138
Meetings, Travel, Training	2,922	949
Legal and Accounting	5,250	10,021
Insurance	24,582	23,271
Closure and Post-Closure Care Costs	29,031	38,647
Recycling Expenses	1,218	19,752
Tonnage Fee	14,960	14,848
Iowa Department of Natural Resources Tonnage Fees	33,264	28,443
Depreciation	64,681	53,143
Amortization	5,000	5,000
Water Test Samples	12,473	4,509
Tire & White Goods Disposal	22,043	9,485
Bad Debt Expense	33	-
Rent Expense	56	56
Advertising	2,211	1,664
Dues and Subscriptions	815	247
Miscellaneous	5,641	4,903
Total Operating Expenses	<u>649,633</u>	<u>586,725</u>
Operating Income	426,679	447,929
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	22,544	28,219
Gain on Sale of Fixed Assets	-	2,500
Interest Expense	(3,449)	(6,393)
Total Non-Operating Revenues	<u>19,095</u>	<u>24,326</u>
Change in Net Assets	445,774	472,255
Net Assets at Beginning of Year	<u>50,166</u>	<u>(422,089)</u>
Net Assets at End of Year	<u>\$ 495,940</u>	<u>\$ 50,166</u>

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

In fiscal year 2012, operating revenues increased 4.0% or \$41,658, from fiscal year 2011, primarily a result of tipping fees increasing approximately \$51,581 due to an increase in the volume of collection of waste. Operating and capital expenses increased 10.7% or \$62,908, from fiscal year 2011. The increase was because of rocking of roads, an increase in equipment repairs, and state tonnage fees.

#### *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 tipping fees and assessments reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes bond and lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.

### **CAPITAL ASSETS**

At June 30, 2012 the Commission had approximately \$1,177,083 invested in capital assets, net of accumulated depreciation of approximately \$769,549. Depreciation charges totaled \$64,681 for fiscal year 2012. More detailed information about the Commission's capital assets are presented in Note 4 to the financial statements.

### **LONG TERM DEBT**

At June 30, 2012, the Commission had no outstanding debt. During the year the Commission paid the final bond payment of \$215,000. The table below summarizes outstanding debt by type.

	<u>2012</u>	<u>2011</u>
Phase I General Obligation Bond Debt.....	\$ 0	\$ 215,000

Additional information about the Commission's long term debt is presented in Note 8 to the financial statements.

### **ECONOMIC FACTORS**

Harrison County Landfill Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state of Iowa continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.
- Annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Continued Iowa Department of Natural Resources' regulatory changes in permit compliance.

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 information, contact the Harrison County Landfill Commission, 2812 East Hwy 30, Logan, IA 51546.

BASIC FINANCIAL STATEMENTS

**HARRISON COUNTY LANDFILL COMMISSION**  
**Statements of Net Assets**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 592,278	\$ 444,441
Investments (Note 2)	258,159	208,169
Receivables:		
Accounts Receivable	48,564	48,736
Accrued Interest	2,635	4,249
Due from Other Governments	4,909	4,294
Prepaid Insurance	13,189	13,635
Total Current Assets	<u>919,734</u>	<u>723,524</u>
<b>Long Term Assets</b>		
Restricted Assets:		
Temporary Cash Investments (Note 3)	914,766	828,135
Capital Assets (Net of Accumulated Depreciation) (Note 4)	1,177,083	1,182,567
Bond Issuance Costs	-	5,000
Total Long Term Assets	<u>2,091,849</u>	<u>2,015,702</u>
 Total Assets	 <u>3,011,583</u>	 <u>2,739,226</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	48,717	30,416
Salaries and Benefits Payable	8,160	3,764
Compensated Absences	9,196	10,616
Accrued Interest	-	314
Due To Other Governments	8,332	12,485
Current Portion of Long Term Debt (Note 8)	-	215,000
Total Current Liabilities	<u>74,405</u>	<u>272,595</u>
<b>Long Term Liabilities</b>		
Compensated Absences	27,589	31,847
Estimated Liability for Landfill Closure and Post-Closure Costs (Note 3)	2,413,649	2,384,618
Total Long Term Liabilities	<u>2,441,238</u>	<u>2,416,465</u>
 Total Liabilities	 <u>2,515,643</u>	 <u>2,689,060</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,177,083	967,567
Restricted For:		
Tonnage Fees Retained	38,345	27,668
Unrestricted	(719,488)	(945,069)
 Total Net Assets	 <u>\$ 495,940</u>	 <u>\$ 50,166</u>

See Accompanying Notes to Financial Statements

**HARRISON COUNTY LANDFILL COMMISSION**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
County and City Assessments	\$ 373,275	\$ 373,273
Tipping Fees	691,678	640,097
Miscellaneous	11,359	21,284
Total Operating Revenues	<u>1,076,312</u>	<u>1,034,654</u>
<b>OPERATING EXPENSES</b>		
Payroll Expenses	210,961	210,811
Employee Benefits	34,321	40,664
Machinery Maintenance, Labor and Parts	62,885	27,082
Oil and Gas	58,569	37,705
Long Range Planning and Engineering Services	26,555	37,028
Site Maintenance	16,008	5,275
Site Utilities	8,601	6,163
Supplies	4,151	3,921
Office Expenses	3,402	3,138
Meetings, Travel, Training	2,922	949
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Tonnage Fee	14,960	14,848
Iowa Department of Natural Resources Tonnage Fees	33,264	28,443
Depreciation	64,681	53,143
Amortization	5,000	5,000
Water Test Samples	12,473	4,509
Hazardous, Tire, Freon, E-Waste and White Goods Disposal	22,043	9,485
Bad Debt Expense	33	-
Rent Expense	56	56
Advertising	2,211	1,664
Dues and Subscriptions	815	247
Miscellaneous	5,641	4,903
Total Operating Expenses	<u>649,633</u>	<u>586,725</u>
Operating Income	426,679	447,929
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	22,544	28,219
Gain on Sale of Fixed Assets	-	2,500
Interest Expense	(3,449)	(6,393)
Total Non-Operating Revenues	<u>19,095</u>	<u>24,326</u>
Change in Net Assets	445,774	472,255
Net Assets at Beginning of Year	50,166	(422,089)
Net Assets at End of Year	<u>\$ 495,940</u>	<u>\$ 50,166</u>

See Accompanying Notes to Financial Statements

**HARRISON COUNTY LANDFILL COMMISSION**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Cash Received from Tipping Fees	\$ 691,850	\$ 630,752
Cash Received from Assessments	372,660	373,030
Cash Received from Miscellaneous Income	11,359	21,284
Cash Paid to Suppliers for Goods and Services	(291,045)	(229,273)
Cash Paid to Employees for Services	(246,564)	(252,132)
Net Cash Provided by Operating Activities	538,260	543,661
 Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Bonds Payable	(215,000)	(205,000)
Interest Paid	(3,763)	(6,632)
Purchase of Capital Assets	(59,167)	(51,427)
Proceeds from the Sale of Capital Assets	-	2,500
Net Cash (Used) by Capital and Related Financing Activities	(277,930)	(260,559)
 Cash Flows from Investing Activities:		
Interest Received	617	439
Purchase of Investments	(482,546)	(495,839)
Proceeds from the Sale of Investments	369,436	438,690
Net Cash (Used) by Investing Activities	(112,493)	(56,710)
 Net Increase in Cash and Cash Equivalents	147,837	226,392
 Cash and Cash Equivalents Beginning of Year	444,441	218,049
 Cash and Cash Equivalents End of Year	592,278	444,441
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	426,679	447,929
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	64,681	53,143
Amortization	5,000	5,000
Bad Debt Expense	33	
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	139	(9,345)
(Increase) in Due from Other Governments	(615)	(243)
(Increase) Decrease in Prepaid Insurance	446	(156)
Increase in Accounts Payable	18,301	5,121
Increase (Decrease) in Salaries and Benefits Payable	4,396	(8,102)
Increase (Decrease) in Compensated Absences	(5,678)	7,445
(Decrease) in Other Accrued Liabilities	-	(54)
Increase in Estimated Closure and Post-Closure Liability	29,031	38,647
Increase (Decrease) in Due to Other Governments	(4,153)	4,276
Net Cash Provided by Operating Activities	\$ 538,260	\$ 543,661

Supplemental Disclosures

Operating and Investing Activities:

Reinvestment of interest on investments for the years ended June 30, 2012 and 2011 was \$23,077 and \$30,213, respectively.

**HARRISON COUNTY LANDFILL COMMISSION**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 1 - Summary of Significant Accounting Policies**

The Harrison County Landfill Commission is a public commission governed under the joint form of municipal government authorized by Chapter 28E of the Code of Iowa; a political subdivision of the State of Iowa. As such, the commission is exempt from federal and state income taxes. The commission is not required to adopt a legal budget. The purpose of the commission is to provide sanitary disposal facilities for Harrison County, Iowa, and the municipalities therein.

The Commission is composed of one representative from each of the ten member cities and one representative from Harrison County. The member cities are: Missouri Valley, Logan, Dunlap, Magnolia, Woodbine, Modale, Little Sioux, Mondamin, Pisgah, and Persia.

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 Harrison County Landfill Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The 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 a special purpose government accounted for as a single business-type activity. Business-type activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is 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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

**HARRISON COUNTY LANDFILL COMMISSION**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 1 - Summary of Significant Accounting Policies – (Continued)**

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, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2012 and 2011 included restricted certificates of deposit of \$914,766 and \$828,135, and unrestricted certificates of deposit of \$258,159 and \$208,169, respectively.

Restricted Investments – Funds set aside for payment of closure and post-closure 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.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds:

<u>Asset Class</u>	<u>2012</u>	<u>2011</u>
Landfill	\$ 25,000	\$ 25,000
Buildings and Improvements	10,000	10,000
Equipment and Vehicles	500	500

Capital assets excluding the landfill 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>
Buildings	40-50
Buildings Improvements	20-50
Equipment and Vehicles	5-20

The landfill is depreciated based on tonnage capacity calculated by the Commission's engineer.

Compensated Absences – The Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation, including applicable employee benefits, has been computed based on rates of pay in effect at June 30, 2012 and 2011.

**Note 2 - Cash and Investments**

The Commission's deposits (demand deposits and certificates) at June 30, 2012 and 2011 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.

**HARRISON COUNTY LANDFILL COMMISSION**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 2 - Cash and Investments – (Continued)**

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission's investments consist only of certificates of deposits which are stated at cost.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the commission's deposits may not be returned to it. The commission has a deposit policy for custodial credit risk, to fully cover the deposits as of June 30, 2012. As of June 30, 2012, \$0 of the commission's bank balance of \$1,736,802 was exposed to custodial credit risk as uninsured and uncollateralized.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure. Information about the exposure of the Commission's debt type investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1 Year	1 – 5 Years
Certificates of Deposits	\$ 1,172,925	\$ 731,792	\$ 441,133

**Note 3 - Closure and Post-Closure Care Costs**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year post-closure 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 post-closure 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 post-closure 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 post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure 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.

These costs for the Harrison County Landfill Commission have been estimated at \$1,444,873 for closure and \$968,776 for post-closure, for a total of \$2,413,649 as of June 30, 2012, and \$1,435,829 for closure and \$948,789 for post-closure, for a total of \$2,384,618 for June 30, 2011. These amounts are based on what it would cost to perform all closure and post-closure care during the years ended June 30, 2012 and 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 49 years. The percentage of landfill capacity used at June 30, 2012 was 55.4%.

**HARRISON COUNTY LANDFILL COMMISSION**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 3 - Closure and Post-Closure 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 post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun accumulating resources to fund these costs and at June 30, 2012 and 2011, assets of \$914,766 and \$828,135, respectively are restricted for these purposes. They are reported as restricted investments 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 post-closure 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 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.
- 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 of years remaining in the pay-in period.

Chapter 567-111.8(7) 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 post-closure care account requirements. Accordingly, the landfill is not required to establish closure and post-closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**HARRISON COUNTY LANDFILL COMMISSION**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 4 - Capital Assets**

	<b>Balance July 1, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2012</b>
Governmental Activities:				
Capital Assets Being Depreciated:				
Landfill	\$ 970,000			\$ 970,000
Buildings	140,303			140,303
Machinery and Equipment	821,632	\$ 59,197	\$ (44,500)	836,329
Total Capital Assets Being Depreciated	1,931,935	59,197	(44,500)	1,946,632
Less Accumulated Depreciation for:				
Landfill	332,768	4,676		337,444
Buildings	28,838	3,661		32,499
Machinery and Equipment	387,762	56,344	(44,500)	399,606
Total Accumulated Depreciation	749,368	64,681	(44,500)	769,549
Total Capital Assets Being Depreciated, Net	\$ 1,182,567	\$ (5,484)	\$ -	\$ 1,177,083
	<b>Balance July 1, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2011</b>
Governmental Activities:				
Capital Assets Being Depreciated:				
Landfill	\$ 970,000			\$ 970,000
Buildings	140,303			140,303
Machinery and Equipment	773,705	\$ 51,427	\$ (3,500)	821,632
Total Capital Assets Being Depreciated	1,884,008	51,427	(3,500)	1,931,935
Less Accumulated Depreciation for:				
Landfill	332,768			332,768
Buildings	25,177	3,661		28,838
Machinery and Equipment	341,780	49,482	(3,500)	387,762
Total Accumulated Depreciation	699,725	53,143	(3,500)	749,368
Total Capital Assets Being Depreciated, Net	\$ 1,184,283	\$ (1,716)	\$ -	\$ 1,182,567

**Reconciliation of Investment in Capital Assets:**

	<b>2012</b>	<b>2011</b>
Capital Assets (Net of Accumulated Depreciation)	\$ 1,177,083	\$ 1,182,567
Less: General Obligation Bonds Payable	-	(215,000)
Invested in Capital Assets, Net of Related Debt	\$ 1,177,083	\$ 967,567

**HARRISON COUNTY LANDFILL COMMISSION**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 5 - 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. 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 with over 663 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, 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 capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its fund at the time of payment to the risk pool. The Commission's contribution to the Pool for the year ended June 30, 2012 and 2011 was \$12,978 and \$11,880, respectively.

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 official's liability risk up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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 of casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' 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. The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012 and 2011, no liability has been recorded in the Commission's financial statements. As of June 30, 2012 and 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

**HARRISON COUNTY LANDFILL COMMISSION**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 5 - Risk Management – (Continued)**

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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100% 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.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 6 - 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 5.38% of their annual salary and the Commission is required to contribute 8.07% of annual payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$13,491, \$11,809, and \$10,371, respectively, equal to the required contribution for each year.

**Note 7 - 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, 2012 and 2011, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$38,345 and \$27,668, respectively.

**Note 8 - Long Term Debt**

The Commission has an agreement to pay Harrison County \$2,265,000 for General Obligation Bonds issued during the year ended June 30, 1997. The bonds were due June 2012 and bore interest of 1.10% to 1.75%. The balance at June 30, 2012 and 2011 was \$0 and \$215,000, respectively.

**HARRISON COUNTY LANDFILL COMMISSION**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 9 - Local Government Guarantee**

State and Federal laws and regulations require the Commission to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Commission have been estimated at \$1,444,873 and \$968,766, respectively, as of February 16, 2012. The Commission has begun to accumulate resources to fund these closure costs and at June 30, 2012 and 2011, \$914,766 and \$828,135, respectively, are held for these purposes.

The Commission participates in an agreement with the Harrison County Board of Supervisors. The County has provided a Local Government Guarantee for the closure and post-closure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The total financial assurance obligation at June 30, 2012 and 2011 equals \$2,413,649 and \$2,384,618, respectively. The County's portion of the total financial assurance obligation at June 30, 2012 and 2011 equals \$1,585,515 and \$1,593,345, respectively. The Commission is responsible for financing the remainder of the financial assurance obligation.

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



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Harrison  
County Landfill Commission

We have audited the accompanying financial statements of the Harrison County Landfill Commission as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 6, 2012. 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

The management of the Harrison County Landfill Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Harrison County Landfill Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expression our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harrison County Landfill Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Harrison County 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 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 that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Harrison County Landfill Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Harrison County Landfill Commission's internal control described in the accompanying Schedule of Findings as items II-A-12 and II-B-12 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harrison County Landfill Commission's financial statements are 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*.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Harrison County 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 the Harrison County 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 of and use of the members and customers of the Harrison County Landfill 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 Harrison County 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.

*Williams & Company P.C.*  
Certified Public Accountants

Onawa, Iowa  
September 6, 2012

SCHEDULE OF FINDINGS

**HARRISON COUNTY LANDFILL COMMISSION**  
**Schedule of Findings**  
**For the Year Ended June 30, 2012**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings related to the Financial Statements:**

**MATERIAL WEAKNESSES:**

**II-A-12 Financial Accounting - Segregation of Duties** – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. One person has control over each of the following areas for the Commission:

- (1) Accounting System – record keeping for revenues and expenses, and
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to master list, preparation and distribution.

*Recommendation* – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

*Response* – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager review receipts, posting, and payroll on a test basis.

*Conclusion* – Response accepted.

**II-B-12 Financial Reporting** – During the audit, we identified material amounts of receivables, payables, accruals and capital assets not recorded in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

*Recommendation* – The Commission should make all adjusting entries.

*Response* – The Commission has evaluated the cost vs. benefit of preparing adjusting journal entries, and determined that it is in the best interest of the Commission to outsource this task to the independent auditors, and to carefully review the adjusting journal entries prior to approving them and accepting responsibility.

*Conclusion* – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**HARRISON COUNTY LANDFILL COMMISSION**  
**Schedule of Findings**  
**For the Year Ended June 30, 2012**

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-12 **Official Depositories** – A resolution naming official depositories has been adopted by the agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2012.
- III-B-12 **Questionable Expenses** – No expenses that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- III-C-12 **Travel Expense** – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- III-D-12 **Board Minutes** – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- III-E-12 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission’s investment policy were noted.
- III-F-12 **Solid Waste Fees Retainage** – During the year ended June 30, 2012, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- III-G-12 **Financial Assurance** – The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and post-closure care	\$ 2,413,649
Less: Balance of funds held in the local dedicated fund at June 30, 2011	(828,135)
	1,585,514
Divided by the number of years remaining in the pay-in period	÷ 49
Required payment into the local dedicated fund for the year ended June 30, 2012	32,357
Balance of funds held in the local dedicated fund at June 30, 2011	828,135
Required balance of funds held in the local dedicated fund at June 30, 2012	860,492
Amount Commission has restricted and reserved for closure and post-closure care at June 30, 2012	\$ 914,766

Harrison County, Iowa has guaranteed closure and post-closure costs up to \$1,585,514 as of February 21, 2012.