

**HAMILTON COUNTY SOLID  
WASTE COMMISSION**

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

**JUNE 30, 2012**

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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
Tadd Stupp	Member	City of Stanhope
Dennis Frayne	Member	City of Williams
Lendall Mechaelsen	Member	City of Kamrar
Eugene Gray	Member	City of Webster City
Mickey Walker	Member	City of Jewell
Cherie Ferguson	Financial Secretary	

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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**Jerilyn J. Maher, C.P.A.**  
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### Independent Auditor's Report

To the Members of the Hamilton County  
Solid Waste Commission:

We have audited the accompanying financial statement of the Hamilton County Solid Waste Commission as of and for the year ended June 30, 2012. 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 present fairly, in all material respects, the respective cash basis financial position of the Hamilton County Solid Waste Commission as of June 30, 2012, and the 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 28, 2013 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 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 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 results of our audit.

Our audit was conducted for the purpose of forming an opinion on Hamilton County Solid Waste Commission's basic financial statement. Management's Discussion and Analysis on pages 4 through 7 is presented for purposes of additional analysis and is not a required part of the financial statement. The information has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion providing any assurance on it.

*Cornwell Frideres Maher & Associates P.L.C.*

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 28, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Hamilton County Solid Waste Commission (Commission) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Commission is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

### **2012 FINANCIAL HIGHLIGHTS**

- Operating receipts decreased 1.6%, or approximately \$16,400, from fiscal year 2011 to fiscal year 2012.
- Operating disbursements decreased 2.9%, or approximately \$28,700, from fiscal year 2011 to fiscal 2012.
- Cash basis net assets increased .6%, or approximately \$9,100, from June 30, 2011 to June 30, 2012.

### **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 cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within the 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 Commission's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets*

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at the end of the year. 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 transfer station and recycling program. Non-operating receipts and disbursements include grants, farm income, interest on investments, equipment purchases and collection center engineering and construction costs. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2012 and June 30, 2011 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2012	2011
Operating receipts:		
Gate charges	\$ 833,568	835,056
Assessments	161,493	172,868
Scrap sales	10,235	8,360
Other	3,220	8,635
Total operating receipts	1,008,516	1,024,919
Operating disbursements:		
North Central - Gate	486,582	469,274
North Central - Buy In/Assessment	161,496	165,039
Other	316,501	358,946
Total operating disbursements	964,579	993,259
Excess of operating receipts over operating (disbursements)	43,937	31,660
Non-operating receipts (disbursements):		
Regional collection center grant	-	24,498
Farm income	-	5,369
Interest on investments	12,864	6,749
Equipment	(6,000)	(72,025)
Collection center engineering and construction	(41,688)	(69,641)
Net non-operating receipts (disbursements)	(34,824)	(105,050)
Net change in cash basis net assets	9,113	(73,390)
Cash basis net assets beginning of year	1,481,800	1,555,190
Cash basis net assets end of year	\$ 1,490,913	1,481,800

## Cash Basis Net Assets

Restricted for:

Postclosure reserve	\$ 941,547	933,533
Recycling reserve	31,834	37,155
Transfer station closure	22,259	22,224
Regional collection center closure	5,000	-
Total restricted net assets	1,000,640	992,912

Unrestricted	490,273	488,888
Total cash basis net assets	<u>\$ 1,490,913</u>	<u>1,481,800</u>

In fiscal year 2012, operating receipts decreased approximately \$16,400, or 1.6% from fiscal year 2011. Operating disbursements decreased approximately \$28,700, or 2.9%, from fiscal year 2011.

A portion of the Commission's net assets, \$1,000,640 (67%), is restricted for postclosure care, recycling reserve funds, transfer station and regional collection center closure. 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, \$490,273 (33%), are unrestricted net assets which can be used to meet the Commission's obligations as they come due. Restricted net assets increased approximately \$7,700, or .8% during the year. The increase was due to additional funds set aside for the regional collection center closure and interest earned on the postclosure reserve funds. Unrestricted net assets increased approximately \$1,400 or .28%.

## LONG-TERM DEBT

At June 30, 2012, the Commission had no long-term debt outstanding.

## ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Commission members. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities and equipment require constant maintenance and upkeep for safety and other regulatory compliance issues.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts costs 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 one time. The amendment was approved on August 23, 2011 and resulted in establishing a restricted Regional Collection Center Closure Reserve Fund of \$5,000. No increase or decrease was made to operating receipts or disbursements.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens and customers with a general overview of the Commission's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hamilton County Solid Waste Commission, Webster City, Iowa 50595

## **Financial Statements**

**Hamilton County Solid Waste Commission**

Exhibit A

**Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets**

**Year ended June 30, 2012**

Operating receipts:	
Gate charges	\$ 833,568
Member assessments	161,493
Scrap sales	10,235
Other	3,220
Total receipts	<u>1,008,516</u>
Operating disbursements:	
Salaries and benefits	173,639
North Central - Gate	486,582
North Central -Buy In/Assessment	161,493
Engineering fees	8,532
Legal, accounting and auditing fees	204
General and liability insurance	10,622
Office expenses and supplies	6,469
Utilities	11,718
Telephone	1,404
Commission fees	2,218
Equipment rental	1,887
Building supplies and repair	4,967
Diesel, gasoline and oil	33,184
Tire removal	3,383
Vehicle expense	29,498
Appliance removal	280
Laboratory testing	6,153
Sales Tax	10,109
Water quality annual report	8,386
Postclosure	3,195
Miscellaneous	656
Total operating disbursements	<u>964,579</u>
Excess of operating receipts over operating disbursements	<u>43,937</u>
Non-operating receipts (disbursements):	
Interest on investments	12,864
Equipment	(6,000)
Collection center engineering and construction	(41,688)
Net non-operating receipts (disbursements)	<u>(34,824)</u>
Change in cash basis net assets	9,113
Cash basis net assets beginning of year	<u>1,481,800</u>
Cash basis net assets end of year	<u>\$ 1,490,913</u>
Cash Basis Net Assets	
Restricted for:	
Postclosure reserve	\$ 941,547
Recycling reserve	31,834
Transfer station closure	22,259
Regional collection center closure	5,000
Total restricted net assets	<u>1,000,640</u>
Unrestricted	490,273
Total cash basis net assets	<u>\$ 1,490,913</u>

See notes to financial statement.

# Hamilton County Solid Waste Commission

## Notes to Financial Statements

June 30, 2012

### (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 provide for the economic disposal, or collection and disposal, of all solid waste produced or generated within the jurisdiction 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, Webster City and Williams. Each member of the Commission has one vote.

The Commission ceased landfill operation during 2007 and has operated as a transfer station since that time.

#### 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 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.

## Hamilton County Solid Waste Commission

### Notes to Financial Statements

June 30, 2012

#### 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 service 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 is prepared 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 the results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

#### D. Net Assets

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

### (2) **Cash and Investments**

The Commission's deposits in banks at June 30, 2012 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.

## Hamilton County Solid Waste Commission

### Notes to Financial Statements

June 30, 2012

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 has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

#### **(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 5.38% of their annual covered salary and the Commission is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$10,212, \$9,403, and \$7,772 respectively, equal to the required contributions for each year.

#### **(4) Compensated Absences**

Commission employees accumulate a limited amount of earned but unused vacation and sick leave 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 to employees for earned vacation and sick leave at June 30, 2012 was \$1,487. This liability has been computed based on rates of pay in effect at June 30, 2012.

## **Hamilton County Solid Waste Commission**

### **Notes to Financial Statements**

**June 30, 2012**

#### **(5) Other Post-Employment Benefits (OPEB)**

Plan Description – The Commission operates a single-employer health benefit plan which provides medical/dental benefits for employees and retirees and their spouses. There are 2 active members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/dental benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Commission and plan members are \$664 for single coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2012, the Commission contributed \$10,984 and plan members eligible for benefits contributed \$3,661 to the plan.

#### **(6) Closure and Postclosure Care Costs**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan to provide funding necessary to effect closure and postclosure care, 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.

## Hamilton County Solid Waste Commission

### Notes to Financial Statements

June 30, 2012

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 the estimated total landfill capacity used that year.

Estimated total costs consist of four components: (1) the cost of equipment and facilities used in the postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The costs for the Commission as of June 30, 2012 have been estimated to be \$929,089 for postclosure care.

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 accumulated resources to fund these costs and, at June 30, 2012, assets of \$941,547 are restricted for these purposes, of which \$0 is for closure and \$941,547 is for postclosure care. The amount is reported as restricted cash basis net assets in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

#### **(7) 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 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 transfer station owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

## **Hamilton County Solid Waste Commission**

### **Notes to Financial Statements**

**June 30, 2012**

The total closure care costs for the Commission as of June 30, 2012 have been estimated at \$ 10,589. The Commission has fully funded the costs and, at June 30, 2012, assets of \$22,259 are restricted for these purposes and are reported as restricted cash basis net assets in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

#### **(8) Regional Collection Center Closure Care**

To comply with state regulations regarding the Regional Collection Center (RCC), the Commission is required to obtain and submit a financial assurance instrument to the department for the storage of household hazardous materials. The financial assurance instrument shall provide for monetary funds to properly dispose of household hazardous wastes, universal wastes, hazardous waste from conditionally exempt small quantity generators, and any other solid wastes that may remain at a sited due to the owner's or operator's failure to properly close the site within 30 days of permit suspension, termination, revocation, or expiration.

As of June 30, 2012, there is insufficient information available to obtain an accurate estimate for the cost to close the RCC facility, therefore in accordance with Subrule 123.13(5)B, Hamilton County Solid Waste Commission is applying an initial closure cost of \$5,000, as it will be serving a population of less than \$35,000. The Commission is currently in the process of obtaining a financial assurance instrument for the cost to close the RCC facility.

#### **(9) Solid Waste Tonnage Fees Retained**

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. As June 30, 2012, the Commission had no unspent tonnage fees.

#### **(10) 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 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of

## **Hamilton County Solid Waste Commission**

### **Notes to Financial Statements**

**June 30, 2012**

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 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 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-ending 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 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, 2012 were \$10,622.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also insured. 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.

## **Hamilton County Solid Waste Commission**

### **Notes to Financial Statements**

**June 30, 2012**

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 a series of casualty claims exhausts total member's 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, 2012, 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.

#### **(11) North Central Iowa Regional Solid Waste Agency Agreement**

The Commission joined the North Central Iowa Regional Solid Waste Agency (NCIRSWA) through a 28E agreement, effective July 1, 2005, to provide for the disposal of all solid waste and recyclable materials generated within the Commission's jurisdiction. The agreement requires a buy in payment of \$1,481,220 to be paid over fifteen years.

During the year ended June 30, 2012, the Commission paid \$94,308 toward the buy in. As of June 30, 2012, the Commission's remaining buy in is \$425,097. The agreement also requires an assessment of \$4.50 per capita, based on the most recent census. During the year ended June 30, 2012, the Commission paid \$67,185 from its assessment.

The Commission also pays NCIRSWA a gate charge of \$9 per cubic yard for acceptance of solid waste. During the year ended June 30, 2012, the Commission paid \$486,582 of gate charges.

## **Hamilton County Solid Waste Commission**

### **Notes to Financial Statements**

**June 30, 2012**

#### **(12) Customer Concentration**

The Commission derived approximately 69.5% of its gate charges for the fiscal year ended June 30, 2012 from the Trash Man. The loss of this major customer would have a material adverse effect on the Commission.

#### **(13) Contingency**

Effective July 1, 2010, the City of Stratford withdrew from the Commission. During fiscal year 2011, the Commission reached an agreement under which the Commission has agreed to pay the City \$36,349 plus 4.95% of the proceeds from any sale of the current 93 acres owned by the Commission. Once the agreement has been put in writing by the Commission's attorney and signed by both the Commission and the City, the \$36,349 will be paid.

#### **(14) Subsequent Events**

Subsequent events have been evaluated through March 28, 2013, which is the date the financial statements were available to be issued.

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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

To the Members of the Hamilton county  
Solid Waste Commission:

We have audited the accompanying financial statement of the Hamilton County Solid Waste Commission as of and for the year ended June 30, 2012, and have issued our report thereon dated March 28, 2013. 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

Management of the Hamilton County Solid Waste Commission is responsible for establishing and maintaining effective 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 opinions on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Hamilton County Solid Waste Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a 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 Hamilton County Solid Waste Commission's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12, I-B-12 and I-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-D-12 to be significant deficiency.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Hamilton County Solid Waste 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.

The Hamilton County Solid Waste 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 Hamilton County Solid Waste Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and 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.

*Cornwell, Frideres, Maher & Associates, P.L.C.*  
Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 28, 2013

## Hamilton County Solid Waste Commission

### Schedule of Findings

Year ended June 30, 2012

#### Part I: Findings Related to the Financial Statements:

##### INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person in the office has control over each of the following areas for the Commission:

- (1) Accounting system – record keeping receipts and financial reporting.
- (2) Receipts –The responsibilities for maintaining detail accounts receivable records are not segregated from collections and records posting.
- (3) Investments – investing, recording and custody. An independent person does not inspect the investments, verify recorded investment earnings for accuracy or reconcile earnings with those recorded in the accounting records.
- (4) Bank reconciliations – preparing, reconciling and reviewing.
- (5) Cash – signing checks, recording and handling cash. All employees have access to the change drawer.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Commission members, to perform independent reviews and verifications.

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.

**Hamilton County Solid Waste Commission**

**Schedule of Findings**

**Year ended June 30, 2012**

I-B-12 Records of Accounts – The Commission maintains a separate bank account for the payroll disbursements. The financial transactions and the resulting balances were not entirely included in the Commission’s accounting records or monthly financial reports. The financial transactions of the payroll account were included in these financial statements.

Recommendation – For better accountability and financial control, the financial activity and balances of all Commission accounts should be included in the Commission’s accounting records and should be reported to the Commission on a monthly basis.

Response – This account is supposed to zero out monthly, but due to timing differences between checks written out of the operating account and subsequent deposit into the payroll account and payment of payroll liabilities this doesn’t happen. We will close this account in fiscal year 2013, to prevent these timing differences and make sure all cash balances are included in the accounting records.

Conclusion – Response accepted.

I-C-12 Financial Reporting – During the audit, we identified a material amount of disbursements that were not posted to the Commission’s financial statements. Adjustments were subsequently made by the Commission to properly report the amounts in the Regional Collection Center Fund.

Recommendation – The Commission should implement procedures to ensure all transactions are properly recorded in the Commission’s financial statements. To help with this, the Commission should integrate all accounting reporting processes into one accounting system. Currently, the Commission uses QuickBooks to record some transactions and Excel to record some transactions.

Response – Will consider whether integrating accounting processes into one system is economically feasible. We will also make sure all funds reconcile to the bank on a monthly basis to ensure that all transactions have been posted to the Commission’s financial statements.

Conclusion – Response accepted.

**Hamilton County Solid Waste Commission**

**Schedule of Findings**

**Year ended June 30, 2012**

I-D-12 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The Hamilton County Solid Waste Commission does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statement and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statement, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the Commission’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The Commission feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**Hamilton County Solid Waste Commission**

**Schedule of Findings**

**Year ended June 30, 2012**

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

II-A-12 Questionable Disbursements – Late fees were charged two disbursements which included past due amounts. Late fees do not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

Recommendation – The Commission should ensure disbursements meet the test of public purpose.

Response – The Commission will ensure disbursements meet the test of public purpose.

Conclusion – Response accepted.

II-B-12 Travel Expense – No expenditures of Association money for travel expenses of spouses of Association officials or employees were noted.

II-C-12 Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, documentation of publication was not retained for one of the monthly meetings. Commission minutes are not being published within 20 days as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Commission should develop procedures to ensure a summary of the proceedings are submitted for publication to the newspaper within twenty days following the adjournment of the meeting, as required by the Code of Iowa.

Response – The Commission will develop procedures to ensure a summary of the proceedings are submitted for publication to the newspaper within twenty days following adjournment of the meeting.

Conclusion – Response accepted.

**Hamilton County Solid Waste Commission**

**Schedule of Findings**

**Year ended June 30, 2012**

II-D-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 were noted. However, the Hamilton County Solid Waste Commission’s Depository Resolution has not been updated to reflect the current depository institutions being used.

Recommendation – The Commission should adopt a new depository resolution to include the current depository institutions.

Response – We will review and revise our depository resolution.

Conclusion – Response accepted.

II-E-12 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.

II-F-12 Financial Assurance – The Commission has elected to demonstrate financial assurance for landfill closure and postclosure care, transfer station and regional collection center closure care by establishing local government dedicated funds as provided in Chapter 567-113.14(6) of the Iowa Administrative Code.

Financial assurance is demonstrated as follows:

	Regional Collection Center	Transfer Station Closure	Landfill Postclosure Care
Total estimated costs for closure and postclosure care	<u>\$ 5,000</u>	<u>10,589</u>	<u>929,089</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2012	<u>\$ 5,000</u>	<u>22,259</u>	<u>941,547</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. No deposit was required during the year ended June 30, 2012 because the Commission has restricted and reserved sufficient funds to pay the total estimated costs for closure and postclosure care.