

**HARDIN COUNTY SANITARY SOLID WASTE
DISPOSAL COMMISSION**

Independent Auditors' Reports
Basic Financial Statements and
Required Supplementary Information
Schedule of Findings

June 30, 2012 and 2011

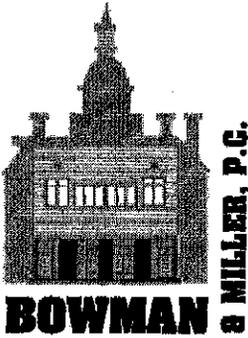
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HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve Hunt	Chairperson	City of Alden
Keith DeVries	Member	City of Ackley
Don Bahr	Member	City of Buckeye
Patrick Ian Rigg	Member	City of Eldora
Jim Winter	Member	City of Hubbard
Jody Anderson	Member	City of Iowa Falls
Chris Renihan	Member	City of New Providence
James Nehring	Member	City of Owasa
Brad Fjelland	Member	City of Radcliffe
Marvin Veld	Member	City of Steamboat Rock
Tom Pieper	Member	City of Union
Lance Granzow	Member	Hardin County
Susan Engelking	Director	



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366

James R. Bowman, CPA • jim@bowmanandmillerpc.com
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' Report

To the Members of the Hardin County
Sanitary Solid Waste Disposal Commission:

We have audited the accompanying financial statements of the Hardin County Sanitary Solid Waste Disposal Commission as of and for the years ended June 30, 2012, and 2011. 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 audits.

We conducted our audits 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 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 financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardin County Sanitary Solid Waste Disposal Commission at June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2012 on our consideration of the Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 6 and page 20 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 which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historic context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bowman & Miller, P.C.

September 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Hardin County Sanitary Solid Waste Disposal 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 Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues increased 0.7%, or \$9,916, from fiscal year 2011 to fiscal year 2012.
- ◆ The Commission's operating expenses were 0.8%, or \$11,500, less in fiscal year 2012 than in fiscal year 2011.
- ◆ The Commission's net assets increased 1.3%, or \$23,674, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Hardin County Sanitary Solid Waste Disposal Commission is a 28E organization 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 the Hardin County Sanitary Solid Waste Disposal 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 Statements of Net Assets present 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 Statements of Revenues, Expenses and Changes in Net Assets are the basic statements of activities for proprietary funds. These statements present 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 Statements of Cash Flows present the change in the Commission's cash and cash equivalents during the years. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

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

Required Supplementary Information presents the Schedule of Funding Progress for the Retiree Health Plan.

FINANCIAL ANALYSIS OF THE COMMISSION

Statements 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 approximately \$1,817,100. This compares to approximately \$1,793,400 at the end of fiscal year 2011. A summary of the Commission's net assets is presented below.

	Net Assets	
	June 30,	
	2012	2011
Current assets	\$ 872,988	923,706
Capital assets at cost, less accumulated depreciation	1,033,333	982,828
Total assets	1,906,321	1,906,534
Current liabilities	85,053	98,249
Noncurrent liabilities	4,160	14,851
Total liabilities	89,213	113,100
Net assets:		
Invested in capital assets	1,033,333	982,828
Unrestricted	783,775	810,606
Total net assets	\$ 1,817,108	1,793,434

The unrestricted portion of the Commission's net assets (43%) may be used to meet the Commission's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment) portion of net assets (57%) are resources allocated to capital assets.

Statements of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate 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 include interest income and insurance recovery. 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:

	Changes in Net Assets	
	Year ended June 30,	
	2012	2011
Operating revenues:		
Gate fees	\$ 671,029	715,393
County and city assessments	521,564	484,964
Recycling sales	180,319	185,082
Other operating revenues	23,409	966
Total operating revenues	<u>1,396,321</u>	<u>1,386,405</u>
Operating expenses:		
Payments to Rural Iowa Waste Management Association for landfill operations	595,866	638,288
Recycling center:		
Contract expense	15,995	15,970
Marketing recycling materials	6,453	7,872
Salaries and benefits	398,728	398,764
Depreciation	177,030	161,123
Non-capitalized equipment	3,640	4,143
Site maintenance	80,810	66,732
Legal and accounting	14,383	13,397
Engineering	-	2,391
Insurance	42,657	38,336
Telephone and utilities	27,701	31,064
Office expenses	5,022	5,755
Advertising and recycling promotion	4,732	2,392
Tire recycling	1,897	1,473
Equipment repair	1,021	845
Uniforms	1,284	1,150
Miscellaneous	4,221	3,245
Total operating expenses	<u>1,381,440</u>	<u>1,392,940</u>
Operating income (loss)	<u>14,881</u>	<u>(6,535)</u>
Non-operating revenues:		
Interest income	7,348	10,157
Insurance recovery	1,445	-
Total non-operating revenues	<u>8,793</u>	<u>10,157</u>
Change in net assets	23,674	3,622
Net assets beginning of year	<u>1,793,434</u>	<u>1,789,812</u>
Net assets end of year	\$ <u>1,817,108</u>	<u>1,793,434</u>

The Statements of Revenues, Expenses and Changes in Net Assets reflect a positive year financially with an increase in net assets at the end of the current fiscal year.

In fiscal year 2012, operating revenues increased \$9,916, or 0.7%, primarily a result of county and city assessments increasing \$36,600 due to using a new population census and a higher per capita rate. Operating expenses decreased in fiscal year 2012 by \$11,500, or 0.8%. The decrease was primarily a result of payments to Rural Iowa Waste Management Association for landfill operations decreasing approximately \$42,400 due to a decrease in the volume of collections.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash provided by non-capital financing activities includes insurance reimbursements. Cash used by capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes the purchase and redemption of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2012, the Commission had approximately \$1,033,000 invested in capital assets, net of accumulated depreciation of approximately \$1,636,000. Depreciation expense totaled \$177,030 and \$161,123 for fiscal years 2012 and 2011, respectively. More detailed information about the Commission's capital assets is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The Hardin County Sanitary Solid Waste Disposal Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which 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.
- ◆ Volatility of the recyclables markets and the effect on net processing cost and product throughput volume.
- ◆ The effect of increasing fuel and energy costs on operations.

While the Commission plans to invest in capital assets including a new curb sorter and paving the drive and parking area, they anticipate the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hardin County Sanitary Solid Waste Disposal Commission, 20482 M Ave., Eldora, Iowa, 50627-1699.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Exhibit A

Statements of Net Assets June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash	\$ 594,779	634,871
Investments	201,887	203,054
Accounts receivable	57,954	66,195
Prepaid insurance	18,368	19,586
Total current assets	<u>872,988</u>	<u>923,706</u>
Noncurrent assets:		
Capital assets (net of accumulated depreciation)	<u>1,033,333</u>	<u>982,828</u>
Total assets	<u>1,906,321</u>	<u>1,906,534</u>
Liabilities		
Current liabilities:		
Accounts payable	62,003	72,070
Salaries and benefits payable	13,286	13,875
Current portion of compensated absences	9,764	12,304
Total current liabilities	<u>85,053</u>	<u>98,249</u>
Noncurrent liabilities:		
Compensated absences	<u>4,160</u>	<u>14,851</u>
Total liabilities	<u>89,213</u>	<u>113,100</u>
Net assets		
Invested in capital assets	1,033,333	982,828
Unrestricted	<u>783,775</u>	<u>810,606</u>
Total net assets	<u>\$ 1,817,108</u>	<u>1,793,434</u>

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Exhibit B

Statements of Revenues, Expenses and Changes in Net Assets Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Gate fees	\$ 671,029	715,393
County and city assessments	521,564	484,964
Recycling sales	180,319	185,082
Other operating revenues	23,409	966
Total operating revenues	<u>1,396,321</u>	<u>1,386,405</u>
Operating expenses:		
Payments to Rural Iowa Waste Management Association for landfill operations	595,866	638,288
Recycling center:		
Contract expense	15,995	15,970
Marketing recycling materials	6,453	7,872
Salaries and benefits	398,728	398,764
Depreciation	177,030	161,123
Non-capitalized equipment	3,640	4,143
Site maintenance	80,810	66,732
Legal and accounting	14,383	13,397
Engineering	-	2,391
Insurance	42,657	38,336
Telephone and utilities	27,701	31,064
Office expenses	5,022	5,755
Advertising and recycling promotion	4,732	2,392
Tire recycling	1,897	1,473
Equipment repair	1,021	845
Uniforms	1,284	1,150
Miscellaneous	4,221	3,245
Total operating expenses	<u>1,381,440</u>	<u>1,392,940</u>
Operating income (loss)	<u>14,881</u>	<u>(6,535)</u>
Non-operating revenues:		
Interest income	7,348	10,157
Insurance recovery	1,445	-
Total non-operating revenues	<u>8,793</u>	<u>10,157</u>
Change in net assets	23,674	3,622
Net assets beginning of year	<u>1,793,434</u>	<u>1,789,812</u>
Net assets end of year	<u>\$ 1,817,108</u>	<u>1,793,434</u>

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Exhibit C

Statements of Cash Flows Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 679,270	730,181
Cash received from assessments	521,564	484,964
Cash received from recycling and other operating receipts	203,728	186,048
Cash paid to suppliers for goods and services	(814,531)	(855,887)
Cash paid to employees for services	(412,548)	(391,463)
Net cash provided by operating activities	<u>177,483</u>	<u>153,843</u>
Cash flows from non-capital financing activities:		
Cash received from insurance recovery	1,445	-
Net cash provided by non-capital financing activities	<u>1,445</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(227,535)	(118,741)
Net cash used by capital and related financing activities	<u>(227,535)</u>	<u>(118,741)</u>
Cash flows from investing activities:		
Proceeds from redemption of certificates of deposit	203,054	203,470
Purchase of certificates of deposit	(201,887)	(203,054)
Interest received	7,348	10,157
Net cash provided by investing activities	<u>8,515</u>	<u>10,573</u>
Net increase (decrease) in cash and cash equivalents	(40,092)	45,675
Cash and cash equivalents beginning of year	<u>634,871</u>	<u>589,196</u>
Cash and cash equivalents end of year	<u>\$ 594,779</u>	<u>634,871</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 14,881	(6,535)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	177,030	161,123
Changes in assets and liabilities:		
Decrease in accounts receivable	8,241	14,788
Decrease in prepaid items	1,218	9,286
Increase (decrease) in compensated absences	(13,231)	6,466
Decrease in accounts payable	(10,067)	(32,120)
Increase (decrease) in salaries and benefits payable	(589)	835
Total adjustments	<u>162,602</u>	<u>160,378</u>
Net cash provided by operating activities	<u>\$ 177,483</u>	<u>153,843</u>

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

The Hardin County Sanitary Solid Waste Disposal Commission was formed in 1971 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Commission was established for the purpose of developing, operating, maintaining and providing services in connection with a solid waste disposal facility for the units of government which are parties to the agreement. The participating units of government include the cities of Ackley, Alden, Buckeye, Eldora, Hubbard, Iowa Falls, New Providence, Owasa, Radcliffe, Steamboat Rock and Union and Hardin County.

The Commission may cooperate, contract with and accept and expend funds from federal, state or local agencies, public or semi-public, private individuals or corporations, and may carry out such cooperative undertakings and contracts as provided by law.

The Commission is composed of one representative and one alternate from each participating unit of government to be designated by that government. The Commission utilizes a vote based on one vote for each governmental unit.

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 Hardin County Sanitary Solid Waste Disposal 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 Hardin County Sanitary Solid Waste Disposal Commission has no component units which meet the Governmental Accounting Standards Board criteria.

The Commission is a member of the Rural Iowa Waste Management Association (RIWMA), a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. The Association is composed of two members from the Hardin County Sanitary Solid Waste Disposal Commission and from the Butler County Solid Waste Commission. The purpose of the Commission is to effectively provide for the sanitary disposal of solid waste within the boundaries of Butler and Hardin Counties through the joint operation of a landfill site and the initiation of such other solid waste reduction or recycling programs as the Commissions/Authorities deem necessary and beneficial to the citizens they serve.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

RIWMA is responsible for sanitary landfill activities. The responsibilities for hazardous waste, waste reduction, special waste and education under the Environmental Protection Act remain with each separate Commission/Authority.

In July 1994, the Hardin County Sanitary Solid Waste Disposal Commission transferred to RIWMA, under quit claim deed, its interest in the sanitary landfill and the compost facility. Upon transfer of the landfill property, RIWMA became primarily responsible for all future commitments and liabilities associated with the landfill and its operation under the permit issued in December 1994.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds 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.

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.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(1) **Summary of Significant Accounting Policies (Continued)**

D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statements of Net Assets:

Cash, Investments and Cash Equivalents -- The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2012 and 2011 include certificates of deposit of \$201,887 and \$203,054, respectively.

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 and estimated useful lives in excess of two years.

Asset Class	Amount
Land, buildings and improvements	\$25,000
Equipment and vehicles	1,500

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	20
Equipment and vehicles	3 - 10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2012 and 2011.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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

(2) Cash and Investments

The Commission's deposits in banks 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 depositories to insure there will be no loss of public funds.

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

The Commission had 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 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 \$21,894, \$19,414 and \$17,683, respectively, equal to the required contributions for each year.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(4) Other Postemployment Benefits (OPEB)

The Commission participates in the Hardin County post retirement medical plan (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 8 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Commission, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Commission's annual OPEB cost for the years ended June 30, 2012 and 2011, the amount actuarially contributed to the plan and changes in the Commission's net OPEB obligation:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 19,630	19,630
Interest on net OPEB obligation	1,755	883
Adjustment to annual required contribution	<u>(2,291)</u>	<u>(1,153)</u>
Annual OPEB cost	19,094	19,360
Contributions made	<u>-</u>	<u>-</u>
Increase in net OPEB obligation	19,094	19,360
Net OPEB obligation beginning of year	<u>38,990</u>	<u>19,630</u>
Net OPEB obligation end of year	<u><u>\$ 58,084</u></u>	<u><u>38,990</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(4) Other Postemployment Benefits (OPEB) (Continued)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized below:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$19,094	0%	\$58,084

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$61,834, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$61,834. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$261,579 and the ratio of the UAAL to covered payroll was 23.6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the Commission's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement possibilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(4) Other Postemployment Benefits (OPEB) (Continued)

Projected claim costs of the medical plan are \$643 per month for retirees less than age 65 and selecting the Alliance Select program and \$583 per month for retirees less than age 65 and selecting the Blue Advantage program. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(5) Capital Assets

A summary of capital assets at June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 100,000	-	-	100,000
Capital assets being depreciated:				
Buildings	1,367,523	16,856	-	1,384,379
Equipment and vehicles	1,074,129	210,679	100,042	1,184,766
Total capital assets being depreciated	2,441,652	227,535	100,042	2,569,145
Less accumulated depreciation for:				
Buildings	726,265	69,259	-	795,524
Equipment and vehicles	832,559	107,771	100,042	840,288
Total accumulated depreciation	1,558,824	177,030	100,042	1,635,812
Total capital assets being depreciated, net	882,828	50,505	-	933,333
Total capital assets, net	\$ 982,828	50,505	-	1,033,333

(6) Closure and Postclosure Care

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and 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 postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(6) Closure and Postclosure Care (Continued)

landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period.

The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure.

Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

Upon transfer of the landfill property to the Rural Iowa Waste Management Association (RIWMA), RIWMA became primarily responsible for all future commitments and liabilities associated with the landfill and its operations. However, according to the Commission's attorney, neither 28E provisions nor Commission resolutions can alter the legal responsibility of any prior owners of landfill sites with regard to the above EPA requirements. Accordingly, the Commission remains contingently liable for the closure and postclosure care costs. At June 30, 2012, these costs are estimated at \$2,990,500 and RIWMA was required to have \$1,365,673 of those costs restricted in a dedicated trust fund. RIWMA has elected to demonstrate financial assurance for these costs by using three financial assurance mechanisms totaling \$1,398,475, resulting in an overage of \$32,802. Currently, RIWMA has designated an additional investment for the financial assurance dedicated fund in a sufficient amount for financial assurance.

(7) Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(7) Risk Management (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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 operating funds at the time of payment to the risk pool. The Commission's contributions to the Pool for the years ended June 30, 2012 and 2011 were \$25,055 and \$25,335.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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

**HARDIN COUNTY SANITARY SOLID WASTE
DISPOSAL COMMISSION**

**Notes to Financial Statements (Continued)
June 30, 2012 and 2011**

(7) Risk Management (Continued)

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 in the amount of \$1,000,000. 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.

(8) Operating Lease

The Commission has entered into a five year lease agreement with Premier Office Equipment for a copier that expires September 29, 2014.

The future minimum lease payments under the operating lease which have remaining terms in excess of one year as of June 30, 2012, are:

Years ending June 30:

2013	\$ 3,459
2014	3,459
2015	865
2016	-
2017 and thereafter	-
	<u>\$ 7,783</u>

Rent expense for the years ended June 30, 2012 and 2011 was \$3,443 and \$3,375, respectively.

(9) Date of Management Evaluation

Management has evaluated subsequent events through September 14, 2012, the date on which the financial statements were available to be issued.

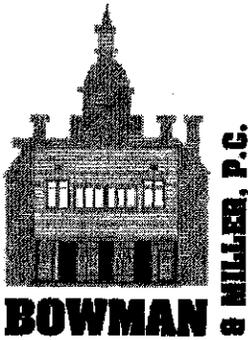
**HARDIN COUNTY SANITARY SOLID WASTE
DISPOSAL COMMISSION**

**Schedule of Funding Progress for the
Retiree Health Plan**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 61,834	\$ 61,834	0.00%	\$ 245,221	25.2%
2011	July 1, 2009	-	61,834	61,834	0.00	278,735	22.2
2012	July 1, 2009	-	61,834	61,834	0.00	261,579	23.6

See Note 4 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366

James R. Bowman, CPA • jim@bowmanandmillerpc.com

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on Audits of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Hardin County Sanitary
Solid Waste Disposal Commission:

We have audited the accompanying financial statements of the Hardin County Sanitary Solid Waste Disposal Commission as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 14, 2012. We conducted our audits 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 Hardin County Sanitary Solid Waste Disposal Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Sanitary Solid Waste Disposal 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hardin County Sanitary Solid Waste Disposal Commission's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Sanitary Solid Waste Disposal 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 required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the years ended June 30, 2012 and 2011 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Commission. Since our audits were 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 Hardin County Sanitary Solid Waste Disposal Commission's responses to the findings identified in our audits are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Hardin County Sanitary Solid Waste Disposal 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 Hardin County Sanitary Solid Waste Disposal 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 Hardin County Sanitary Solid Waste Disposal Commission during the course of our audits. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

September 14, 2012

**HARDIN COUNTY SANITARY SOLID WASTE
DISPOSAL COMMISSION**

**Schedule of Findings
Years ended June 30, 2012 and 2011**

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Reconciliation of Money Market Account – A check was written out of the money market account with only one signature, and the one signature was not from an employee of the Commission. This is against the Commission's policy requiring dual signature checks.

Recommendation – The Commission should implement the policies in place requiring dual signatures on checks, and when reconciling their account, they should immediately notify the financial institution if they become aware of a single signature check that should not have gone through.

Response – When reconciling the bank account, we will make sure all checks written have dual signatures, including at least one from an employee of the Commission.

Conclusion – Response accepted.

- (B) Handling of Cash Collections from Butler County – Most of the transactions with Butler County are run through on a monthly charge account. However, in the instances where cash is paid, the cash and the receipt are held till the end of the month and then sent in an envelope along with the total from the charge account with a Butler County truck driver back to Butler County where they do their own billing and collecting.

Recommendation – The Commission should work with Butler County to open up a depository account in Butler County's federal identification number that they could deposit the cash collections into. This would eliminate the holding of cash till the end of the month as well as the transporting and handling of cash between multiple persons.

Response – We will discuss with Butler County better alternatives to the current processes of handling cash collections.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**HARDIN COUNTY SANITARY SOLID WASTE
DISPOSAL COMMISSION**

**Schedule of Findings (Continued)
Years Ended June 30, 2012 and 2011**

Other Findings Related to Required Statutory Reporting:

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

**HARDIN COUNTY SANITARY SOLID WASTE
DISPOSAL COMMISSION**

Staff

This audit was performed by:

BOWMAN & MILLER, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

James R. Bowman, CPA, Partner
Nathan P. Minkel, CPA, Staff
Diana S. Swanson, Staff