HARRISON COUNTY
LANDFILL COMMISSION
Independent Auditors' Report
June 30, 2013 and 2012

HARRISON COUNTY LANDFILL COMMISSION

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HARRISON COUNTY LANDFILL COMMISSION

OFFICIALS

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

WILLIAMS & COMPANY P.C.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Members of the Harrison
County Landfill Commission

We have audited the accompanying financial statements of Harrison County Landfill Commission as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Harrison County Landfill Commission at June 30, 2013 and 2012, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013, on our consideration of Harrison County Landfill Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harrison County Landfill Commission's internal control over financial reporting and compliance.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financials statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Williams + Company P.C.
Certified Public Accountants

Onawa, Iowa
September 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Harrison County Landfill Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider this information in conjunction with the Harrison County Landfill Commission's financial statements which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 14.3% or $154,302, from fiscal year 2012 to fiscal year 2013. City and County assessments remained the same. Tipping fees decreased 21.1% or $146,296. The main reason for the decrease in tipping fees was due to less storm related construction/demolition materials.

- The Commission's operating expenses decreased 2.4% or $15,710, from fiscal year 2012 to fiscal year 2013, because of a decrease in equipment repairs and state tonnage fees.

USING THIS ANNUAL REPORT

The Harrison County Landfill Commission is a special purpose government accounted for as a single Business-Type Activity and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Harrison County Landfill Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

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

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2013 totaled $803,630. This compares to $495,940 at the end of fiscal year 2012. A summary of the Commission's net position is presented below.

Net Position

	June 30, 2013	June 30, 2012
Current Assets	$ 1,248,843	$ 919,734
Restricted Investments	970,039	914,766
Capital Assets at Cost, Less Accumulated Depreciation	1,115,189	1,177,083
Total Assets	3,334,071	3,011,583
Current Liabilities	35,650	74,405
Noncurrent Liabilities	2,494,791	2,441,238
Total Liabilities	2,530,441	2,515,643
Net Position:		
Net Investment in Capital Assets	1,368,898	1,177,083
Restricted For:		
Tonnage Fees Retained	46,001	38,345
Unrestricted	(611,269)	(719,488)
Total Net Position	$ 803,630	$ 495,940

The invested in capital assets $1,368,898, e.g. land, buildings, and equipment, less the related debt portion of the net position, are resources allocated to capital assets. The remaining net position is restricted for closure and post-closure care and for tonnage fees due to the State of Iowa. State and Federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues are received for tipping fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012 is presented below.

Statements of Revenues, Expenses and Changes in Net Position

	2013	2012
OPERATING REVENUES		
County and City Assessments	$ 373,275	$ 373,275
Tipping Fees	545,382	691,678
Miscellaneous	3,353	11,359
Total Operating Revenues	922,010	1,076,312
OPERATING EXPENSES		
Payroll Expenses	224,904	210,961
Employee Benefits	32,681	34,321
Machinery Maintenance, Labor and Parts	33,462	62,885
Oil and Gas	47,311	58,569
Long Range Planning and Engineering Services	42,362	26,555
Site Maintenance	9,862	16,008
Site Utilities	6,486	8,601
Supplies	4,058	4,151
Office Expenses	2,920	3,402
Meetings, Travel, Training	2,022	2,922
Legal and Accounting	5,360	5,250
Insurance	21,058	24,582
Closure and Post-Closure Care Costs	55,250	29,031
Recycling Expenses	-	1,218
Tonnage Fee	18,000	14,960
Iowa Department of Natural Resources Tonnage Fees	28,483	33,264
Depreciation	63,143	64,681
Amortization	-	5,000
Water Test Samples	7,093	12,473
Tire & White Goods Disposal	19,533	22,043
Bad Debt Expense	-	33
Rent Expense	1,800	56
Advertising	1,181	2,211
Dues and Subscriptions	574	815
Miscellaneous	6,380	5,641
Total Operating Expenses	633,923	649,633
Operating Income	288,087	426,679
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	19,603	22,544
Interest Expense	-	(3,449)
Total Non-Operating Revenues	19,603	19,095
Change in Net Position	307,690	445,774
Net Position at Beginning of Year	495,940	50,166
Net Position at End of Year	$ 803,630	$ 495,940

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

In fiscal year 2013, operating revenues decreased 14.3% or $154,302, from fiscal year 2012, primarily a result of tipping fees decreasing approximately $146,296 due to a decrease in the volume of collection of waste. Operating expenses decreased 2.4% or $15,710, from fiscal year 2012. The decrease was because of a decrease in equipment repairs and state tonnage fees.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital, and related financing and investing activities. Cash provided by operating activities includes tipping fees and assessments reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes bond and lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At June 30, 2013, the Commission had approximately $1,115,189 invested in capital assets, net of accumulated depreciation of approximately $832,692. Depreciation charges totaled $63,143 for fiscal year 2013. More detailed information about the Commission's capital assets are presented in Note 4 to the financial statements.

ECONOMIC FACTORS

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

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

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report, or need additional information, contact the Harrison County Landfill Commission, 2812 East Hwy 30, Logan, IA 51546.

BASIC FINANCIAL STATEMENTS

HARRISON COUNTY LANDFILL COMMISSION
Statements of Net Position
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	$ 613,708	$ 592,278
Investments (Note 2)	318,483	258,159
Receivables:		
Accounts Receivable	34,407	48,564
Accrued Interest	1,906	2,635
Due from Other Governments	8,327	4,909
Deposit on Equipment (Note 4)	253,709	-
Prepaid Insurance	18,303	13,189
Total Current Assets	1,248,843	919,734
Noncurrent Assets		
Restricted Assets:		
Temporary Cash Investments (Note 2)	970,039	914,766
Capital Assets (Net of Accumulated Depreciation) (Note 4)	1,115,189	1,177,083
Total Noncurrent Assets	2,085,228	2,091,849
Total Assets	3,334,071	3,011,583
LIABILITIES		
Current Liabilities		
Accounts Payable	9,378	48,717
Salaries and Benefits Payable	9,022	8,160
Compensated Absences	9,196	9,196
Due To Other Governments	8,054	8,332
Total Current Liabilities	35,650	74,405
Noncurrent Liabilities		
Compensated Absences	25,892	27,589
Accrued Landfill Closure and Post-Closure Costs (Note 3)	2,468,899	2,413,649
Total Noncurrent Liabilities	2,494,791	2,441,238
Total Liabilities	2,530,441	2,515,643
NET POSITION		
Net Investment in Capital Assets	1,368,898	1,177,083
Restricted For:		
Tonnage Fees Retained	46,001	38,345
Unrestricted	(611,269)	(719,488)
Total Net Position	$ 803,630	$ 495,940

See Accompanying Notes to Financial Statements

HARRISON COUNTY LANDFILL COMMISSION
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
County and City Assessments	$ 373,275	$ 373,275
Tipping Fees	545,382	691,678
Miscellaneous	3,353	11,359
Total Operating Revenues	922,010	1,076,312
OPERATING EXPENSES		
Payroll Expenses	224,904	210,961
Employee Benefits	32,681	34,321
Machinery Maintenance, Labor and Parts	33,462	62,885
Oil and Gas	47,311	58,569
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Office Expenses	2,920	3,402
Meetings, Travel, Training	2,022	2,922
Legal and Accounting	5,360	5,250
Insurance	21,058	24,582
Closure and Post-Closure Care Costs	55,250	29,031
Recycling Expenses	-	1,218
Tonnage Fee	18,000	14,960
Iowa Department of Natural Resources Tonnage Fees	28,483	33,264
Depreciation	63,143	64,681
Amortization	-	5,000
Water Test Samples	7,093	12,473
Hazardous, Tire, Freon, E-Waste and White Goods Disposal	19,533	22,043
Bad Debt Expense	-	33
Rent Expense	1,800	56
Advertising	1,181	2,211
Dues and Subscriptions	574	815
Miscellaneous	6,380	5,641
Total Operating Expenses	633,923	649,633
Operating Income	288,087	426,679
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	19,603	22,544
Interest Expense	-	(3,449)
Total Non-Operating Revenues	19,603	19,095
Change in Net Position	307,690	445,774
Net Position at Beginning of Year	495,940	50,166
Net Position at End of Year	$ 803,630	$ 495,940

See Accompanying Notes to Financial Statements

HARRISON COUNTY LANDFILL COMMISSION
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Cash Received from Tipping Fees	$ 559,539	$ 691,850
Cash Received from Assessments	369,857	372,660
Cash Received from Miscellaneous Income	3,353	11,359
Cash Paid to Suppliers for Goods and Services	(302,676)	(291,045)
Cash Paid to Employees for Services	(258,420)	(246,564)
Net Cash Provided by Operating Activities	371,653	538,260
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Bonds Payable	-	(215,000)
Interest Paid	-	(3,763)
Deposit on Equipment	(253,709)	-
Purchase of Capital Assets	(1,249)	(59,167)
Net Cash (Used) by Capital and Related Financing Activities	(254,958)	(277,930)
Cash Flows from Investing Activities:		
Interest Received	2,015	617
Purchase of Investments	(837,892)	(482,546)
Proceeds from the Sale of Investments	740,612	369,436
Net Cash (Used) by Investing Activities	(95,265)	(112,493)
Net Increase in Cash and Cash Equivalents	21,430	147,837
Cash and Cash Equivalents Beginning of Year	592,278	444,441
Cash and Cash Equivalents End of Year	613,708	592,278
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	288,087	426,679
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	63,143	64,681
Amortization	-	5,000
Bad Debt Expense	-	33
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	14,157	139
(Increase) in Due from Other Governments	(3,418)	(615)
(Increase) Decrease in Prepaid Insurance	(5,114)	446
Increase (Decrease) in Accounts Payable	(39,339)	18,301
Increase in Salaries and Benefits Payable	862	4,396
(Decrease) in Compensated Absences	(1,697)	(5,678)
Increase in Accrued Landfill Closure and Post-Closure Costs	55,250	29,031
(Decrease) in Due to Other Governments	(278)	(4,153)
Net Cash Provided by Operating Activities	$ 371,653	$ 538,260

Supplemental Disclosures
Operating and Investing Activities:
Reinvestment of interest on investments for the years ended June 30, 2013 and 2012 was $18,317 and $23,077, respectively.

See Accompanying Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

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

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Harrison County Landfill Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board Criteria.

B. Basis of Presentation

The accounts of the Commission are organized as a special purpose government accounted for as a single business-type activity. Business-type activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission 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.

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

D. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2013 and 2012 included restricted certificates of deposit of $970,039 and $914,766, and unrestricted certificates of deposit of $318,483 and $258,159, respectively.

Restricted Investments – Funds set aside for payment of closure and post-closure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

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

Asset Class	2013	2012
Landfill	$ 25,000	$ 25,000
Buildings and Improvements	10,000	10,000
Equipment and Vehicles	500	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Buildings Improvements	20-50
Equipment and Vehicles	5-20

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

Compensated Absences – The Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation, including applicable employee benefits, has been computed based on rates of pay in effect at June 30, 2013 and 2012.

Note 2 - Cash and Investments

The Commission's deposits (demand deposits and certificates) at June 30, 2013 and 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.

Note 2 - Cash and Investments – (Continued)

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

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

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the commission's deposits may not be returned to it. The commission has a deposit policy for custodial credit risk, to fully cover the deposits as of June 30, 2013. As of June 30, 2013, $0 of the commission's bank balance of $1,891,745 was exposed to custodial credit risk as uninsured and uncollateralized.

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

		Investment Maturities (in Years)	
Type of Investment	Fair Value	Less Than 1 Year	1 – 5 Years
Certificates of Deposits	$ 1,288,522	$ 660,256	$ 628,266

Note 3 - Closure and Post-Closure Care Costs

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Harrison County Landfill Commission have been estimated at $1,442,819 for closure and $1,026,080 for post-closure, for a total of $2,468,899 as of June 30, 2013, and $1,444,873 for closure and $968,776 for post-closure, for a total of $2,413,649 for June 30, 2012. These amounts are based on what it would cost to perform all closure and post-closure care during the years ended June 30, 2013 and 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 48 years. The percentage of landfill capacity used at June 30, 2013 was 62.6%.

Note 3 - Closure and Post-Closure Care Costs – (Continued)

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun accumulating resources to fund these costs and at June 30, 2013 and 2012, assets of $970,039 and $914,766, respectively are restricted for these purposes. They are reported as restricted investments on the Statement of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and post-closure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism. Under this mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statue as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

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

NP = next payment,
CE = total required financial assurance,
CB = current balance of the fund,
Y = number of years remaining in the pay-in period.

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

Note 4 - Capital Assets

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Capital Assets Being Depreciated:				
Landfill	$ 970,000			$ 970,000
Buildings	140,303			140,303
Machinery and Equipment	836,329	$ 1,249	$ -	837,578
Total Capital Assets Being Depreciated	1,946,632	1,249	-	1,947,881
Less Accumulated Depreciation for:				
Landfill	337,444			337,444
Buildings	32,499	3,661		36,160
Machinery and Equipment	399,606	59,482		459,088
Total Accumulated Depreciation	769,549	63,143	-	832,692
Total Capital Assets Being Depreciated, Net	$ 1,177,083	$ (61,894)	$ -	$ 1,115,189

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental Activities:				
Capital Assets Being Depreciated:				
Landfill	$ 970,000			$ 970,000
Buildings	140,303			140,303
Machinery and Equipment	821,632	$ 59,197	$ (44,500)	836,329
Total Capital Assets Being Depreciated	1,931,935	59,197	(44,500)	1,946,632
Less Accumulated Depreciation for:				
Landfill	332,768	4,676		337,444
Buildings	28,838	3,661		32,499
Machinery and Equipment	387,762	56,344	(44,500)	399,606
Total Accumulated Depreciation	749,368	64,681	(44,500)	769,549
Total Capital Assets Being Depreciated, Net	$ 1,182,567	$ (5,484)	$ -	$ 1,177,083

Reconciliation of Investment in Capital Assets:

	2013	2012
Capital Assets (Net of Accumulated Depreciation)	$ 1,177,083	$ 1,177,083
Plus: Deposit on Equipment	253,709	-
Net Investment in Capital Assets	$ 1,368,898	$ 1,177,083

The deposit on equipment is for a new CAT trackloader the Commission purchased in June 2013. As of June 30, 2013 the equipment had not been delivered. The equipment is scheduled to be delivered in August 2013.

Note 5 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 663 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its fund at the time of payment to the risk pool. The Commission's contribution to the Pool for the year ended June 30, 2013 and 2012 was $13,175 and $12,978, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public official's liability risk up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event of casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013 and 2012, no liability has been recorded in the Commission's financial statements. As of June 30, 2013 and 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Note 5 - Risk Management – (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

Note 6 - Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the Commission is required to contribute 8.67% of annual payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were $15,166, $13,491, and $11,809, respectively, equal to the required contribution for each year.

Note 7 - Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2013 and 2012, the unspent amounts retained by the Commission and restricted for the required purposes totaled $46,001 and $38,345, respectively.

Note 8 - Local Government Guarantee

State and Federal laws and regulations require the Commission to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Commission have been estimated at $1,444,873 and $1,026,080, respectively, as of March 5, 2013. The Commission has begun to accumulate resources to fund these closure costs and at June 30, 2013 and 2012, $970,039 and $914,766, respectively, are held for these purposes.

The Commission participates in an agreement with the Harrison County Board of Supervisors. The County has provided a Local Government Guarantee for the closure and post-closure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The total financial assurance obligation at June 30, 2013 and 2012 equals $2,468,899 and $2,413,649, respectively. The County's portion of the total financial assurance obligation at June 30, 2013 and 2012 equals $1,554,133 and $1,585,515, respectively. The Commission is responsible for financing the remainder of the financial assurance obligation.

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

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

To the Members of the Harrison
County Landfill Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Harrison County Landfill Commission as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated September 6, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harrison County Landfill Commission's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harrison County Landfill Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harrison County Landfill Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Harrison County Landfill Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Harrison County Landfill Commission's internal control described in the accompanying Schedule of Findings as items II-A-13 and II-B-13 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Harrison County Landfill Commission's Response to Findings

Harrison County Landfill Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Harrison County Landfill Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Harrison County Landfill Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company P.C.
Certified Public Accountants

Onawa, Iowa
September 6, 2013

SCHEDULE OF FINDINGS

HARRISON COUNTY LANDFILL COMMISSION
Schedule of Findings
For the Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

(a) An unqualified opinion was issued on the financial statements.

(b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Financial Accounting - Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. One person has control over each of the following areas for the Commission:

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff or Board members.

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

Conclusion – Response accepted.

II-B-13 Financial Reporting – During the audit, we identified material amounts of receivables, payables, accruals and capital assets not recorded in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

Recommendation – The Commission should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Commission's financial statements.

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

III-A-13 **Official Depositories** – A resolution naming official depositories has been adopted by the agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2013.

III-B-13 **Questionable Expenses** – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-13 **Travel Expense** – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

III-D-13 **Board Minutes** – No transactions were found that we believe should have been approved in the Commission minutes but were not.

III-E-13 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.

III-F-13 **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.

III-G-13 **Financial Assurance** – The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and post-closure care	$ 2,468,899
Less: Balance of funds held in the local dedicated fund at June 30, 2012	(914,766)
	1,554,133
Divided by the number of years remaining in the pay-in period	÷ 48
Required payment into the local dedicated fund for the year ended June 30, 2013	32,378
Balance of funds held in the local dedicated fund at June 30, 2012	914,766
Required balance of funds held in the local dedicated fund at June 30, 2013	947,144
Amount Commission has restricted and reserved for closure and post-closure care at June 30, 2013	$ 970,039

Harrison County, Iowa has guaranteed closure and post-closure costs up to $1,554,133 as of March 5, 2013.