

CLARKE COUNTY SANITARY LANDFILL COMMISSION

Financial Statements
(With Independent Auditor's Reports Thereon)
June 30, 2013 and 2012



Shull
and Co. P.C.
certified public accountants

CLARKE COUNTY SANITARY LANDFILL COMMISSION

OFFICIALS

<u>Names of Officials</u>	<u>Title</u>	<u>Representing</u>
Marvin McCann (beginning January 2013)	Chairman	Clarke County
Don Reasoner (through December 2012)	Chairman	Clarke County
Thomas Andersen	Secretary-Treasurer	
Harley Pippin	Member	At Large
Randy Wright	Member	City of Woodburn
Jeannie Crees	Member	City of Murray
Randy Short	Member	At Large



Shull and Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissions
Clarke County Sanitary Landfill Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Clarke County Sanitary Landfill Commission as of and for the years ended June 30, 2013 and 2012, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. 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 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 basic 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 Commission'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 Commission'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 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 financial position of Clarke County Sanitary Landfill Commission as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2014 on our consideration of the Clarke County Sanitary Landfill 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 in considering Clarke County Sanitary Landfill Commission's internal control over financial reporting and compliance.

Shull & Co., P.C.

May 20, 2014

CLARKE COUNTY SANITARY LANDFILL COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Clarke County Sanitary 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 year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 0.2%, or \$112 from fiscal 2012 to fiscal 2013.
- The Commission's operating expenses were 69.99%, or \$130,185 higher in fiscal 2013 than in fiscal 2012 due to increased postclosure care costs.
- The Commission's net position decreased \$160,217 from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The Clarke County Sanitary Landfill Commission is a Chapter 28E single enterprise fund 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 Clarke County Sanitary 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.

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

CLARKE COUNTY SANITARY LANDFILL COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

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 2013 totaled approximately negative \$311,300. This compares to net position of approximately negative \$151,100 at the end of fiscal 2012.

State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The invested in capital assets (e.g., land, buildings and equipment) less the related debt portion of net position are resources allocated to capital assets. The remaining net position is the unrestricted net position that must be raised to meet the Commission's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Position

Since closing the landfill operating revenues are received for per capita assessments from the residents of the County and operating expenses are expenses paid to maintain the closed 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.

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

In fiscal 2013, operating revenues decreased by \$112. Operating expenses increased by \$130,185 or 169.99%. The increase was primarily a result of postclosure care costs of the landfill.

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 assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes long term debt payments and the purchase of capital assets. Cash used by investing activities includes cash deposited to or withdrawn from restricted accounts and interest income.

CAPITAL ASSETS

At June 30, 2013, the Commission had approximately \$17,700 invested in capital assets, net of accumulated depreciation of approximately \$1,205,600. Depreciation charges totaled \$1,130 for fiscal 2013. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

LONG-TERM DEBT

At June 30, 2013, the Commission had \$1,020,196 in debt outstanding, an increase of \$68,810 from 2012. The table below summarizes outstanding debt by type.

	June 30,	
	2013	2012
General obligation bonds	\$ 150,000	166,000
Postclosure care cost	870,196	785,386
Total	\$ 1,020,196	951,386

Additional information about the Commission's long-term debt is presented in Notes 4 and 5 to the financial statements.

ECONOMIC FACTORS

During the current fiscal year, the financial position of Clarke County Sanitary Landfill Commission deteriorated. In addition, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- The Commission has stopped accepting waste on January 7, 2011.
- 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 postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year operations will consist of postclosure care activities. The Commission intends to maintain a close watch over resources to maintain its 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 Clarke County Sanitary Landfill Commission, Clarke County Courthouse, 100 South Main Street, Osceola IA 50213.

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

ASSETS	<u>2013</u>	<u>2012</u>
Current assets		
Cash	\$ 125,373	98,253
Accounts and interest receivable	375	5,230
	<u>125,748</u>	<u>103,483</u>
Restricted assets		
Cash	<u>573,502</u>	<u>688,010</u>
Capital assets		
Land improvements	1,153,304	1,153,304
Buildings and improvements	30,111	30,111
Equipment	39,939	39,939
	<u>1,223,354</u>	<u>1,223,354</u>
Less accumulated depreciation and amortization	<u>1,205,599</u>	<u>1,204,469</u>
	<u>17,755</u>	<u>18,885</u>
	<u>\$ 717,005</u>	<u>810,378</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 7,646	6,667
Accrued interest payable	479	412
Accrued payroll and payroll taxes	-	3,012
Accrued postclosure care expenses	112,028	31,428
General obligation bonds due within one year	17,000	16,000
	<u>137,153</u>	<u>57,519</u>
Non-current liabilities		
Accrued postclosure care expenses	758,168	753,958
General obligation bonds due after one year	133,000	150,000
NET POSITION		
Invested in capital assets, net of related debt	17,755	18,885
Restricted for		
Postclosure care	-	-
Unrestricted	<u>(329,071)</u>	<u>(169,984)</u>
	<u>(311,316)</u>	<u>(151,099)</u>
	<u>\$ 717,005</u>	<u>810,378</u>

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
 Statements of Revenues, Expenses and
 Changes in Net Position
 Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
County and city per capita assessments	\$ 50,000	50,000
Other	-	112
	50,000	50,112
Operating expenses		
Postclosure care	122,395	15,640
Postclosure care engineering costs	49,903	-
Recycling fees	23,050	26,512
Wages	-	20,460
Payroll taxes	-	1,868
Insurance	2,609	2,172
Depreciation and amortization	1,130	1,283
Utilities	1,128	1,056
Legal and accounting fees	3,823	3,970
Contractual office services	1,253	-
Other	1,479	3,624
	206,770	76,585
Operating loss	(156,770)	(26,473)
Non operating revenues (expenses)		
Interest income	2,628	3,872
Interest expense	(6,075)	(6,355)
	(3,447)	(2,483)
Decrease in net position	(160,217)	(28,956)
Net position, beginning of year	(151,099)	(122,143)
Net position, end of year	\$ (311,316)	(151,099)

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
 Statements of Cash Flows
 Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash received from gate fees	\$ 4,796	2,328
Cash received from per capita fees	50,000	50,000
Cash received from other operating revenues	-	112
Cash paid to suppliers for goods and services	(32,363)	(32,922)
Cash paid to suppliers for postclosure care costs	(87,488)	(284,999)
Cash paid to employees for services	(3,012)	(22,173)
Net cash used by operating activities	(68,067)	(287,654)
Cash flows from capital and related financing activities		
Payment of principal on general obligation bonds	(16,000)	(14,000)
Interest expense paid	(6,008)	(7,564)
Net cash used by capital and related financing activities	(22,008)	(21,564)
Cash flows from investing activities		
Cash transferred to and reinvested in restricted account	(2,032)	(3,029)
Cash transferred from restricted account for payment of postclosure care costs	116,540	261,764
Interest income received	2,687	4,270
Net cash provided by investing activities	117,195	263,005
Net increase (decrease) in cash	27,120	(46,213)
Cash, beginning of year	98,253	144,466
Cash, end of year	\$ 125,373	98,253
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (156,770)	(26,473)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	1,130	1,283
Accrued postclosure care expenses	84,810	(269,359)
Decrease in accounts receivable	4,796	2,328
Increase (decrease) in accounts payable and accrued liabilities	(2,033)	4,567
Net cash used by operating activities	\$ (68,067)	(287,654)

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clarke County Sanitary Landfill Commission (the "Commission") was established as the result of an agreement under the provisions of Chapter 28E of the Iowa Code between the County of Clarke, Iowa and the municipalities of Osceola, Murray and Woodburn, being a majority of the local governmental jurisdictions comprising the Clarke County area. In January 2011 the City of Osceola withdrew from the Commission when the landfill stopped collecting solid waste. Following arbitration, the City of Osceola paid the Commission \$201,159 to fund it's share of the estimated unfunded closure and postclosure care costs as of the date of closure.

The purpose of the Commission is to provide for the economic disposal, or collection and disposal, of all solid waste produced or generated within the prescribed area and to cooperate with local, State and Federal agencies in preventing the contamination and pollution of the land, water and air resources of the area, through the control, collection and disposal of solid waste.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and one individual selected by the representatives of the governing bodies.

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 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 Association 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. Clarke County Sanitary Landfill Commission has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Presentation - The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

D. Assets, Liabilities and Net Position – 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, have a maturity date no longer than three months.

Restricted Assets – Funds set aside for payment of postclosure 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 and estimated useful lives in excess of two years.

Asset Class	Amount
Land improvements	\$ 25,000
Buildings and improvements	5,000
Equipment and vehicles	5,000

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position (Continued) –
Capital Assets (Continued) –

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)
Land improvements	3-20
Buildings and improvements	15-30
Equipment and vehicles	5-10

2. CASH AND INVESTMENTS

The Commission’s deposits in banks at June 30, 2013 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.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2013 and 2012

3. CAPITAL ASSETS

A summary of capital assets at June 30, 2013 is as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets being depreciated:				
Land improvements	\$ 1,153,304	-	-	1,153,304
Buildings and improvements	30,111	-	-	30,111
Equipment	39,939	-	-	39,939
Total capital assets being depreciated	<u>1,223,354</u>	<u>-</u>	<u>-</u>	<u>1,223,354</u>
Less accumulated depreciation for:				
Land improvements	1,152,904	-	-	1,152,904
Buildings and improvements	11,626	1,130	-	12,756
Equipment	39,939	-	-	39,939
Total accumulated depreciation	<u>1,204,469</u>	<u>1,130</u>	<u>-</u>	<u>1,205,599</u>
Total capital assets, net	<u>\$ 18,885</u>	<u>(1,130)</u>	<u>-</u>	<u>17,755</u>

4. GENERAL OBLIGATION BONDS

In April 2011 Clarke County issued \$180,000 of General Obligation Solid Waste Disposal Bonds, Series 2011 and transferred the funds to the Commission to fund a portion of the estimated unfunded closure and postclosure care costs as of the date of closure of the landfill. Although the bonds are the legal obligation of Clarke County it is the intent of the Commission to assess per capita fees from its members sufficient to retire the bonds as they come due. Accordingly, the general obligation bonds have been reflected as a debt of the Commission in the accompanying financial statements.

Annual debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 17,000	5,464
2015	17,000	4,886
2016	18,000	4,308
2017	18,000	3,652
2018	19,000	2,998
2019 - 2021	61,000	4,649
	<u>\$ 150,000</u>	<u>25,957</u>

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2013 and 2012

5. CLOSURE AND POSTCLOSURE CARE COSTS

In December 2008 the Commission entered into an administrative consent order with the Iowa Department of Natural Resources agreeing to close all active cells and accept no additional waste after December 31, 2011.

To comply with Federal and State regulations, the Commission is required to complete a monitoring system plan and closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year 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 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.

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

The costs for the Commission have been estimated at \$762,196 for postclosure care for cells 1 through 6 and \$108,000 for postclosure care for a landfill area closed prior to 1993, for a total of \$870,196 as of June 30, 2013. A provision for this liability has been made on the Commission's balance sheet as of June 30, 2013, based on what it would cost to perform all postclosure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Notes to Financial Statements - Continued
June 30, 2013 and 2012

5. CLOSURE AND POSTCLOSURE CARE COSTS - Continued

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has accumulated resources to fund these costs for cells 1 through 6 and, at June 30, 2013, assets of \$573,502 are restricted for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Position.

Also, pursuant to Chapter 567-111.3(3) of the Iowa administrative Code (IAC), since the estimated postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the letter of credit mechanism.

6. 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. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.



Shull

and Co. P.C.
certified public accountants

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

To the Board of Commissioners
Clarke County Sanitary Landfill Commission

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Clarke County Sanitary Landfill Commission as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements, and have issued our report thereon dated May 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clarke County Sanitary Landfill 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 our opinion on the effectiveness of Clarke County Sanitary Landfill Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke County Sanitary Landfill Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 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 Clarke County Sanitary Landfill Commission financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Clarke County Sanitary Landfill Commission's internal control described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contract and grant agreements, noncompliance 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 noncompliance 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 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.

Management's Responses to Findings

Clarke County Sanitary Landfill Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Clarke County Sanitary Landfill Commission's responses and, accordingly, we express no opinion on them.

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 result of that testing and not to provide an opinion on the effectiveness of the Commission'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 Commission'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 Clarke County Sanitary 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.

Shull & Co., P.C.

May 20, 2014

CLARKE COUNTY SANITARY LANDFILL COMMISSION
Schedule of Findings
Year ended June 30, 2013

Findings Related to the Financial Statements:

Significant Deficiencies:

13-A Segregation of Duties - During our review of the internal control over financial reporting, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Commission's financial statements. We noted that one individual performs all record-keeping and reconciliation functions for the Commission.

Recommendation - We realize that with a limited number of employees, segregation of duties is impractical. We recommend the Commission Board review monthly receipts and disbursements, accounts receivable and payable lists and bank reconciliations for unusual or unauthorized transactions.

Response and Corrective Action Planned - We have reviewed the number of staff necessary to perform accounting duties for the Commission and have no plans to add staff. The Commission Board is aware of the possibility for errors or irregularities to occur. In addition, we have formalized Board review of monthly financial information, including lists of accounts receivable and accounts payable and the bank reconciliations.

Conclusion - Response accepted.

13-B Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and training to select and apply accounting principles and prepare financial statements including footnote disclosures. Management presently lacks the training to appropriately fulfill these responsibilities.

Recommendation - This situation is very common in small entities. Obtaining additional knowledge through reading accounting literature or attending professional education courses should help management improve their ability to prepare and take responsibility for reliable financial statements prepared in accordance with generally accepted accounting principles.

Response - We will consider this.

Conclusion - Response accepted.

CLARKE COUNTY SANITARY LANDFILL COMMISSION
 Schedule of Findings (Continued)
 Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

13-1 Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

13-2 Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

13-3 Board Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.

13-4 Deposits and Investments - The Association has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa

Recommendation - The Commission should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the code of Iowa.

Response - The Commission will adopt a written investment policy as required.

Conclusion - Response accepted.

13-5 Financial Assurance – The Commission has partially demonstrated financial assurance for closure and postclosure care of cells 1 through 6 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:

	<u>Cells 1 through 6</u>
Total estimated costs for postclosure care	\$ 762,196
Balance of funds held in local dedicated fund as of June 30, 2013	<u>(573,502)</u>
Unfunded balance	<u><u>\$ 188,694</u></u>

Recommendation – The Commission will need to provide further financial assurance through a letter of credit or local government guarantees for the balance of the unfunded postclosure care costs.

Response - The Commission is currently developing plans to fully pay annual operating costs and fully fund the postclosure care expenses.

Conclusion - Response accepted.