



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE February 17, 2005

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Shelby County Area Solid Waste Agency.

The Agency had total operating receipts of \$644,159 for the year ended June 30, 2004, which included county and city contributions of \$194,088 and tonnage fees and gate charges of \$449,189.

Disbursements totaled \$631,337 for the year ended June 30, 2004, and included \$356,741 for solid waste disposal fees and \$144,787 for salaries and benefits.

A copy of the audit report is available for review in the Office of Auditor of State and the Shelby County Area Solid Waste Agency.

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**SHELBY COUNTY AREA SOLID
WASTE AGENCY**

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

JUNE 30, 2004

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Shelby County Area Solid Waste Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Terry Cox	Chairman	City of Harlan
Lloyd Robinson	Member	City of Irwin
Marvin Kenkel	Member	Shelby County Planning Commission
Barry Deuel	Member	Rural Shelby County
Gayle Petersen	Member	Board of Supervisors
Daniel Ahart	Manager	
Charles Trailer	Assistant Manager	

Shelby County Area Solid Waste Agency



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Independent Auditor's Report

To the Members of the Shelby County Area Solid Waste Agency:

We have audited the accompanying financial statement of the Shelby County Area Solid Waste Agency as of and for the year ended June 30, 2004. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

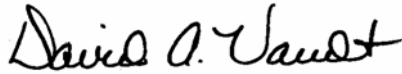
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Shelby County Area Solid Waste Agency as of June 30, 2004, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

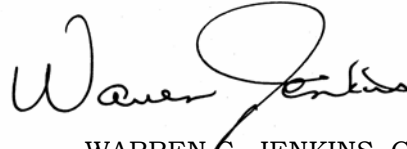
As discussed in Note 10, during the year ended June 30, 2004, the Shelby County Area Solid Waste Agency adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2004 on our consideration of the Shelby County Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 7 through 9 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Shelby County Area Solid Waste Agency (SCASWA) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the SCASWA is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the SCASWA's financial statement, which follows.

2004 FINANCIAL HIGHLIGHTS

- Operating receipts increased approximately \$67,400, or 11.7%, from fiscal year 2003 to fiscal year 2004.
- Operating disbursements increased approximately \$62,300, or 11%, from fiscal year 2003 to fiscal year 2004.
- Cash basis net assets increased approximately \$32,800, or 5.8%, from fiscal year 2003 to fiscal year 2004.

USING THIS ANNUAL REPORT

The SCASWA has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

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

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

FINANCIAL ANALYSIS OF THE AGENCY

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

The purpose of the statement is to present the receipts received by the SCASWA and the disbursements paid by the SCASWA, both operating and non-operating. The statement also presents a fiscal snapshot of the Agency's cash balance at year end. Over time, readers of the financial statement are able to determine the SCASWA's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the SCASWA. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts are for interest on investments and land rent. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2004 and June 30, 2003 is presented below:

	Changes in Cash Basis Net Assets	
	Year ended June 30,	
	2004	2003
Operating receipts:		
County contributions	\$ 61,725	61,725
City contributions	132,363	80,981
Tonnage fees and gate charges	449,189	430,260
Miscellaneous	882	3,761
Total operating receipts	<u>644,159</u>	<u>576,727</u>
Operating disbursements:		
Salaries and benefits	144,787	137,734
Insurance	12,471	11,480
Utilities	3,005	3,353
Office supplies	4,587	5,060
Recycling	79,195	46,856
Engineering and testing	4,100	8,200
Equipment	7,522	3,315
Solid waste disposal fees	356,741	344,482
Building and grounds	8,893	4,428
Miscellaneous	10,036	4,156
Total operating disbursements	<u>631,337</u>	<u>569,064</u>
Excess of operating receipts over operating disbursements	<u>12,822</u>	<u>7,663</u>
Non-operating receipts:		
Interest on investments	5,769	10,012
Land rent	14,181	14,363
Total non-operating receipts	<u>19,950</u>	<u>24,375</u>
Net change in cash basis net assets	32,772	32,038
Cash basis net assets beginning of year	<u>568,913</u>	<u>536,875</u>
Cash basis net assets end of year	<u>\$ 601,685</u>	<u>568,913</u>

In fiscal year 2004, operating receipts increased by \$67,432, or 11.7%, over fiscal year 2003. The increase was primarily a result of the timing of City contributions. In fiscal year 2004, operating disbursements increased by \$62,273, or 11%, from fiscal year 2003. The increase was primarily due to increased recycling and solid waste disposal fees.

ECONOMIC FACTORS

SCASWA maintained its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for SCASWA officials. Some of the realities that may potentially become challenges for the SCASWA to meet are:

- Facilities require constant maintenance and upkeep.
- The ongoing challenge to maintain the current tipping fees as well as city and county per capita assessments while operating costs continue to increase for salaries and health insurance premiums.
- Annual processing cost for recycling are faced with fluctuating market demand and prices.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Shelby County Area Solid Waste Agency (SCASWA), 1313 Industrial Parkway, Harlan, Iowa 51537.

Shelby County Area Solid Waste Agency

Financial Statement

Exhibit A

Shelby County Area Solid Waste Agency
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2004

Operating receipts:	
County contributions	\$ 61,725
City contributions	132,363
Tonnage fees and gate charges	449,189
Miscellaneous	882
Total operating receipts	<u>644,159</u>
Operating disbursements:	
Salaries and benefits	144,787
Insurance	12,471
Utilities	3,005
Office supplies	4,587
Recycling	79,195
Engineering and testing	4,100
Equipment	7,522
Solid waste disposal fees	356,741
Building and grounds	8,893
Miscellaneous	10,036
Total operating disbursements	<u>631,337</u>
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Land rent	14,181
Total non-operating receipts	<u>19,950</u>
Change in cash basis net assets	32,772
Cash basis net assets beginning of year	<u>568,913</u>
Cash basis net assets end of year	<u>\$ 601,685</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 601,685</u>

See notes to financial statement.

Shelby County Area Solid Waste Agency

Notes to Financial Statement

June 30, 2004

(1) Summary of Significant Accounting Policies

The Shelby County Area Solid Waste Agency was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities for the political subdivisions of Shelby County.

The governing body of the Agency is composed of five members. Each member of the Agency has one vote and is appointed by the Shelby County Board of Supervisors as follows: one member shall be a resident of the City of Harlan; one member shall be a resident of Shelby County, but not a resident of any city; one member shall be from the Shelby County Board of Supervisors; one member shall be from the Shelby County Planning Commission; and one member shall be from a city other than the City of Harlan. The member cities are Harlan, Earling, Elk Horn, Defiance, Portsmouth, Kirkman, Irwin, Panama, Westphalia, Shelby and Tennant.

A Reporting Entity

For financial reporting purposes, the Shelby County Area Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency 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 Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Shelby County Area Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and post-closure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Agency's deposits in banks or deposits in bank accounts controlled by the Shelby County Treasurer at June 30, 2004 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 Agency 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 Agency; 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 Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Pension and Retirement Benefits

The Agency 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 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$6,312, \$6,018 and \$5,990, respectively, equal to the required contributions for each year.

(4) Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation hours payable to employees at June 30, 2004 was \$5,000. This liability has been computed based on rates of pay in effect at June 30, 2004.

(5) Landfill Closure

The landfill closed June 30, 1994 and started to operate as a transfer station on July 1, 1994. Closure costs were incurred by the Shelby County Area Solid Waste Agency in prior years for a final cover. Because the landfill closed before the effective date of state and federal rules and regulations, the Agency is not required to meet certain post-closure care requirements or demonstrate financial assurance for closure and post-closure care. However, state law requires the Agency to conduct ground water monitoring at the landfill for 30 years.

(6) Transfer Station Closure Costs

To comply with state regulations, the Agency is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Agency is required to maintain a closure account as financial assurance for the closure costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

As of June 30, 2004, the total closure costs for the Agency have not been estimated.

(7) Solid Waste Disposal Agreement

The Agency entered into a solid waste disposal agreement with the Carroll County Solid Waste Management Commission. The Commission has reserved capacity at the Carroll County landfill for the disposal of waste generated within Shelby County. The Agency will pay \$30 per ton for the solid waste delivered from the Shelby County transfer station. The agreement extends through June 30, 2005.

(8) Recyclable Materials Processing Agreement

The Agency entered into a recycling agreement with the Carroll County Solid Waste Management Commission. The Agency has built a Recyclable Material transfer station capable of receiving commingled recyclable materials from private haulers and transferring those materials to an off-site processing facility in Carroll County. The Agency pays the Commission for marketing the processed recyclable materials and for educating the public on recycling issues. The Agency paid a flat rate of \$40.00 per ton during fiscal year 2004 for the recyclable materials. The agreement commenced on July 1, 1995 and is renewable on an annual basis.

(9) Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 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 in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 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 Agency's property and casualty contributions to the risk pool are recorded as a disbursement from its operating fund at the time of payment to the risk pool. The Agency's contribution to the Pool for the year ended June 30, 2004 was \$7,564.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

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, 2004, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three years.

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 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 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee dishonesty in the amounts of \$1,000,000 and \$10,000, respectively. The Agency 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.

(10) Accounting Change

For the year ended June 30, 2004, the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balance of the Agency.

Shelby County Area Solid Waste Agency

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

Shelby County Area Solid Waste Agency



OFFICE OF AUDITOR OF STATE
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Auditor of State

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Members of the Shelby County Area Solid Waste Agency:

We have audited the financial statement of the Shelby County Area Solid Waste Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Shelby County Area Solid Waste Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Shelby County Area Solid Waste Agency. 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. There were no prior year statutory comments.

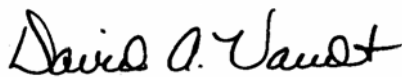
Internal Control Over Financial Reporting

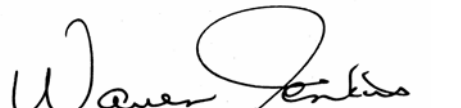
In planning and performing our audit, we considered the Shelby County Area Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Shelby County Area Solid Waste Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses. The prior year reportable condition has not been resolved and is repeated as item (A).

This report, a public record by law, is intended for the information and use of the members and customers of the Shelby County Area Solid Waste Agency and other parties to whom the Agency may report. This report 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 Shelby County Area Solid Waste Agency 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 3, 2004

Shelby County Area Solid Waste Agency

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine 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 Agency's financial statements. One individual has custody of receipts and performs all record-keeping pertaining to receipts for the office, including maintaining the accounts receivable records.

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

Response – Due to the limited number of staff available to perform these duties, options available are limited. However, we will continue to look at different procedures to correct this.

Conclusion – Response accepted.

- (B) Reconciliation of Billings, Collections and Delinquencies – Charge account billings, collections and delinquent accounts were not reconciled.

Recommendation – Procedures should be established to reconcile customer billings, collections and delinquencies monthly. The Agency should review the reconciliations, monitor delinquencies and approve write-offs of uncollectible accounts.

Response – The Agency is obtaining software different from that currently used to make monthly reconciliation easier. Currently, this is a labor intensive activity. We will make the necessary efforts to accomplish this.

Conclusion – Response accepted.

- (C) Cash Receipts – Charge account receipts were not always deposited timely.

Recommendation – To safeguard cash and increase funds available for investment, charge account receipts should be deposited intact timely.

Response – We will make an effort to make deposits in a timely manner.

Conclusion – Response accepted.

Shelby County Area Solid Waste Agency

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Agency. The maximum deposit amounts stated were not exceeded during the year ended June 30, 2004.
- (2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (4) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the Agency’s investment policy were noted.
- (6) Inspection Report and Financial Assurance Requirements – Per Iowa Administrative Code 567 Chapter 106, an Iowa-licensed professional engineer must inspect the transfer station and file an inspection report with the Iowa Department of Natural Resources (DNR) by the first work day in November each year. Also, the Code requires an annual report addressing financial assurance for the estimated closure costs of the transfer station to be filed with the DNR by an Iowa-licensed professional engineer. Within 30 days of the close of the fiscal year end, deposits into the closure account are to be made annually over 5 years, beginning with the first fiscal year that begins after July 17, 2002.

The following items were identified during testing:

- The inspection report to DNR was not submitted timely.
- Deposits are not being made to the closure account as required.
- The report addressing financial assurance for closure costs of the transfer station was not filed with DNR because an account had not been set up.

Recommendation – The Shelby County Area Solid Waste Agency should implement procedures to:

- (a) Submit the inspection report to DNR by the first work day in November each year.
- (b) Make deposits into the closure account on an annual basis within 30 days of the close of each fiscal year end.

Shelby County Area Solid Waste Agency

Schedule of Findings

Year ended June 30, 2004

- (c) Submit the report addressing financial assurance for the estimated closure costs of the transfer station to the DNR on an annual basis.

Response -

- (a) The fiscal year 2004 inspection report was submitted late as stated, however, DNR did not write it up. That Agency is who regulates us. Fiscal year 2005 has been submitted timely.
- (b) We will make deposits as recommended.
- (c) The financial assurance issue will be dealt with at the next board meeting on December 28, 2004.

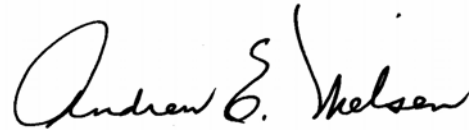
Conclusion - Response accepted.

Shelby County Area Solid Waste Agency

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
Sarah D. McFadden, CPA, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State