



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE March 11, 2005

Contact: Andy Nielsen  
515/281-5834

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

The Agency had total receipts of \$687,216 during the year ended June 30, 2004, a 26 percent increase from 2003. The receipts included solid waste fees of \$565,639, city assessments of \$25,356 and recycling grants of \$59,740.

Disbursements for the year totaled \$910,694, a 75 percent increase from the prior year, and included \$272,880 for solid waste contractor payments, \$298,744 for buildings and grounds and \$89,017 for closure costs.

The significant increase in disbursements is due primarily to construction projects, including closure of 5 acres and the installation of a leachate lagoon and toe drain system.

A copy of the audit report is available for review in the Office of Auditor of State and the Union County Auditor's office.

###

**PRAIRIE SOLID WASTE AGENCY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENT AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2004**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	7-9
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A      12
Notes to Financial Statement	13-16
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	19-20
Schedule of Findings	21-23
Staff	24

**Prairie Solid Waste Agency**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Don Irelan	Chairperson	Union County
Gene Dunfee	Vice Chairperson	City of Arispe
John Kline	Member	City of Afton
Mike Tamerius	Member	City of Creston
Vacant	Member	City of Cromwell
Melvin Davis	Member	City of Lorimor
Eivens Marlin	Member	City of Macksburg
Ed Cook	Member	City of Shannon City
Tom Britt	Member	City of Thayer
Leslie Bullock Goldsmith	Director	

**Prairie Solid Waste Agency**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Prairie Solid Waste Agency:

We have audited the accompanying financial statement of the Prairie 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.

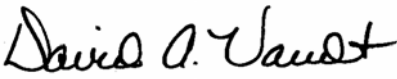
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.


In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Prairie 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 9, during the year ended June 30, 2004, the Prairie 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 January 19, 2005 on our consideration of the Prairie 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

January 19, 2005

**Prairie Solid Waste Agency**

---

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

---

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

### **2004 FINANCIAL HIGHLIGHTS**

- ◆ Operating receipts increased 25%, or approximately \$134,000, from fiscal 2003 to fiscal 2004.
- ◆ Operating disbursements increased 10%, or approximately \$54,000, from fiscal 2003 to fiscal 2004.
- ◆ Cash basis net assets decreased 23%, or approximately \$223,000, from June 30, 2003 to June 30, 2004.

### **USING THIS ANNUAL REPORT**

Prairie SWA 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 this financial statement. 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 Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

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

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



## FINANCIAL ANALYSIS OF THE PRAIRIE SWA

### *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 Prairie SWA and the disbursements paid by the Prairie SWA, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Prairie SWA'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 Prairie SWA. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2004 and June 30, 2003 are presented below:

	Changes in Cash Basis Net Assets	
	Year ended June 30,	
	2004	2003
Operating receipts:		
Solid waste fees	\$ 565,639	494,143
City assessments	25,356	18,856
Recycling grants	59,740	5,811
Recycling sales	13,464	15,075
Miscellaneous	5,193	1,563
Total operating receipts	<u>669,392</u>	<u>535,448</u>
Operating disbursements:		
Solid waste contractor	272,880	286,574
Building and grounds	-	424
Closure	89,017	-
Other	214,091	234,777
Total operating disbursements	<u>575,988</u>	<u>521,775</u>
Excess of operating receipts over operating disbursements	<u>93,404</u>	<u>13,673</u>
Non-operating receipts (disbursements):		
Interest on investments	17,824	9,198
Recycling collection center equipment	(35,962)	-
Building and grounds	(298,744)	-
Net non-operating receipts (disbursements)	<u>(316,882)</u>	<u>9,198</u>
Net change in cash basis net assets	(223,478)	22,871
Cash basis net assets beginning of year	<u>973,296</u>	<u>950,425</u>
Cash basis net assets end of year	<u>\$ 749,818</u>	<u>973,296</u>

In fiscal 2004, operating receipts increased by \$133,944, or 25%, over fiscal 2003. The increase was primarily a result of solid waste fees increasing by \$71,496 due to an increase in tipping fees, member contributions increasing by \$6,500 and grant income increasing by \$53,929. In fiscal 2004, operating disbursements increased by \$54,213, or 10%, from fiscal 2003. The increase in disbursements was primarily due to construction projects, including closure of 5 acres and the installation of a leachate lagoon and toe drain system.

A portion of the Prairie SWA's net assets, \$324,120 (43%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets, \$425,698 (57%), are unrestricted net assets that can be used to meet the Prairie SWA's obligations as they come due. Restricted net assets increased \$16,187, or 5%, during the year. The increase was due to additional funds set aside for closure and postclosure care. Unrestricted net assets decreased \$239,665, or 36%, during the year due to construction projects completed during this time.

## **LONG-TERM DEBT**

At June 30, 2004, the Prairie SWA had no long term debt outstanding.

## **ECONOMIC FACTORS**

The financial position of the Prairie SWA did not improve the current fiscal year as construction projects decreased net assets. The current condition of the economy in the state continues to be a concern for Prairie SWA officials. Some of the realities that may potentially become challenges for the Prairie SWA to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ The likely 2007 deadline for all of Iowa's landfills to become Subtitle D compliant, which means the Prairie SWA will need to close the present landfill cell and build a new compliant cell or send solid waste elsewhere.
- ◆ 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 Prairie SWA anticipates the current fiscal year will be one of transition as it makes important decisions regarding the future of solid waste in this planning area.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Prairie SWA's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Prairie Solid Waste Agency, P.O. Box 227, Creston, Iowa 50801.

**Prairie Solid Waste Agency**

## **Financial Statement**

**Exhibit A**

## Prairie Solid Waste Agency

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

Year ended June 30, 2004

Operating receipts:	
Solid waste fees	\$ 565,639
City assessments	25,356
Recycling grants	59,740
Recycling sales	13,464
Miscellaneous	5,193
Total operating receipts	<u>669,392</u>
Operating disbursements:	
Salaries and benefits	41,962
Solid waste contractor	272,880
Iowa Department of Natural Resources tonnage fee	28,805
Regulatory assistance/engineering	13,325
Tire disposal	1,384
Recycling	53,008
Equipment maintenance	9,172
Ground water monitoring/inspecting	20,739
Road gravel	9,417
Legal, accounting and auditing	5,568
Office equipment and supplies	5,810
Utilities	3,991
Closure	89,017
Insurance	7,633
Miscellaneous	13,277
Total operating disbursements	<u>575,988</u>
Excess of operating receipts over operating disbursements	<u>93,404</u>
Non-operating receipts (disbursements):	
Interest on investments	17,824
Recycling collection center equipment	(35,962)
Building and grounds	(298,744)
Net non-operating disbursements	<u>(316,882)</u>
Change in cash basis net assets	(223,478)
Cash basis net assets beginning of year	<u>973,296</u>
Cash basis net assets end of year	<u>\$ 749,818</u>
<b>Cash Basis Net Assets</b>	
Restricted for:	
Closure	\$ 112,393
Postclosure care	211,727
Total restricted net assets	<u>324,120</u>
Unrestricted	<u>425,698</u>
Total cash basis net assets	<u>\$ 749,818</u>

See notes to financial statement.

Prairie Solid Waste Agency  
Notes to Financial Statement  
June 30, 2004

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

The Prairie Solid Waste Agency, formerly the Union County Solid Waste Management Commission, was formed in 1973 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 facilities in Union County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each member. The members of the Agency include Union County and the cities of Afton, Arispe, Creston, Cromwell, Kent, Lorimor, Macksburg, Shannon City and Thayer. Each member of the Agency has one vote, except for Union County and the City of Creston, which each have six votes. Currently, the Agency contracts for landfill operations.

A. Reporting Entity

For financial reporting purposes, the Prairie 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 Prairie 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 postclosure care. 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.

D. Net Assets

The following accounting policy is followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Restricted Cash Basis Net Assets – Funds set aside for payment of closure and postclosure care are classified as restricted.

**(2) Cash and Pooled Investments**

The Agency's deposits in banks 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 the 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.

The Agency had \$749,818 of deposits held by the Union County Treasurer at June 30, 2004.

**(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. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$2,023, \$1,935 and \$1,453, respectively, equal to the required contributions for each year.

#### **(4) Closure and Postclosure Care**

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a 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 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.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs 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 due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Prairie Solid Waste Agency have been estimated to be \$243,797 for closure and \$551,763 for postclosure, for a total of \$795,560 as of June 30, 2004. The estimated remaining life of the landfill is 8.3 years, with approximately 82.4 percent of the landfill's capacity used at June 30, 2004.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Prairie Solid Waste Agency has begun to accumulate resources to fund these costs and, at June 30 2004, assets of \$324,120 are restricted for these purposes, of which \$112,393 is for closure and \$211,727 is for postclosure care. They are reported as restricted cash basis net assets on the Statement of Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the IAC, since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the Dedicated Fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute 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 years remaining in the pay-in period

Chapter 57-111.8(7) 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 postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

**(5) Solid Waste Tonnage Fees Retained**

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2004, the Agency had no unspent tonnage fees.

**(6) Risk Management**

The Prairie Solid Waste Agency is exposed to various risks of loss related to torts, theft, and 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 resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Landfill Operator Contract**

The Prairie Solid Waste Agency has entered into a contract with Union County Management Services, Inc. for the operation of the landfill. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools and equipment necessary for operation, except for recycling responsibilities. For these services, the operator was paid \$272,880 during the year ended June 30, 2004.

**(8) Compensated Absences**

Agency employees accumulate a limited amount of earned but unused vacation leave 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 payments at June 30, 2004 was \$2,100. This liability has been computed based on rates of pay in effect at June 30, 2004.

**(9) 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.

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

**Prairie Solid Waste Agency**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Members of the Prairie Solid Waste Agency:

We have audited the financial statement of the Prairie Solid Waste Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated January 19, 2005. 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 Prairie 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 certain immaterial instances of non-compliance that are 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 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.

Internal Control Over Financial Reporting

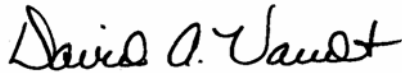
In planning and performing our audit, we considered the Prairie Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Prairie Solid Waste Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable condition is 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

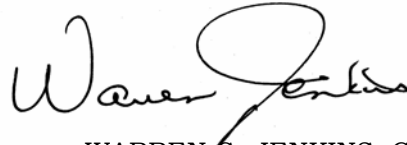
in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily 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, we do not believe the reportable condition described above is a material weakness.

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

January 19, 2005

Prairie 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 CONDITION:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records and reconciling payments to receivable records.

Recommendation – The Agency should designate a member of the Board to provide additional control through review of financial transactions to help ensure accounts receivable charges and payments on account are properly recorded and deposited intact.

Response – As per the auditor's request, the Union County Auditor's Office and Prairie SWA have begun a new procedure where information from the County Auditor's office on the week's business is emailed in a spreadsheet to Prairie SWA. Leslie Goldsmith, Director, will check totals from the County Auditor's Office spreadsheet against manual totals figured by Scale Office Personnel. Discrepancies will be checked out and reconciled.

Leslie also checks the Account Receivable Aging Report printed by the County Auditor's Office each month to make sure payments are being recorded to charge accounts. Leslie sends letters to accounts that are past due over sixty days.

Conclusion – Response accepted.

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been approved by the Union County Board of Supervisors. The maximum deposit amounts stated in the resolution 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 that should have been approved in the Agency minutes but were not.

Prairie Solid Waste Agency

Schedule of Findings

Year ended June 30, 2004

- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and Union County’s investment policy were noted.
- (6) Solid Waste Fees Retainage – During the year ended June 30, 2004, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (7) Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-111.6(9) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 243,797	551,763
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>147,808</u>	<u>160,125</u>
	95,989	391,638
Divided by the number of years remaining in the pay-in-period	<u>÷ 4</u>	<u>÷ 4</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	23,997	97,910
Balance of funds held in the local dedicated fund at June 30, 2003	<u>147,808</u>	<u>160,125</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2004	<u>\$ 171,805</u>	<u>258,035</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2004	<u>\$ 112,393</u>	<u>211,727</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit was made September 10, 2004.

Recommendation – The Agency should demonstrate financial assurance by designating amounts sufficient to comply with the Iowa Administrative Code requirements. In addition, the Agency should ensure deposits are made within 30 days of the fiscal year end to comply with Iowa Department of Natural Resources rules and regulations.

Response – Prairie SWA has consultants Barker-Lemar do the estimates for financial assurance. Barker-Lemar personnel have been using figures as if the deposit had already had been made for the prior year, when in fact the deposit had not been made by June 30<sup>th</sup>. The result is confusing for all of us! In 2005, Prairie SWA will hold the vote in May in order to get funds moved prior to the June 30<sup>th</sup> end of the fiscal year. That way the computations should make more sense. The DNR Financial Assurance staff person, Alex Moon was contacted about Financial Assurance.

Prairie Solid Waste Agency

Schedule of Findings

Year ended June 30, 2004

Prairie SWA voted at the July 2004 to move closure and postclosure funds into the restricted accounts. The code allows 30 days past the end of the fiscal year to do this. However, this request had to go through the County Auditor's Office and the Union County Supervisor's meeting prior to actual moving of these funds. Because of these steps, the funds did not get moved until after July 30<sup>th</sup>, 2004. In 2005, Prairie SWA will hold the vote in May in order to get funds moved prior to the June 30<sup>th</sup> end of the fiscal year. The DNR Financial Assurance staff person, Alex Moon was contacted.

Conclusion – Response accepted.



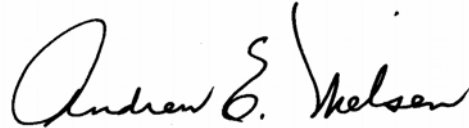
---

Prairie Solid Waste Agency

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Scott P. Boisen, Assistant 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