



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

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NEWS RELEASE

FOR RELEASE

March 12, 2008

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 receipts of \$639,082 during the year ended June 30, 2007, a two percent decrease from 2006. The receipts included gate and recycling fees of \$435,591 and county and city contributions of \$168,750.

Disbursements for the year totaled \$629,543, a five percent decrease from the prior year, and included \$360,125 for solid waste disposal fees and \$161,920 for salaries and benefits.

A copy of the report is available for review at the Shelby County Area Solid Waste Agency, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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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, 2007**

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**Shelby County Area Solid Waste Agency**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Terry Cox	Chairperson	City of Harlan
Lloyd Robinson	Member	City of Irwin
Marvin Kenkel	Member	Shelby County Planning Commission
Barry Deuel	Member	Rural Shelby County
Roger Schmitz	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, 2007. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this financial statement 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 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 at June 30, 2007, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2008 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 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 on it.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 5, 2008

**Shelby County Area Solid Waste Agency**



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

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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, 2007. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

### **2007 FINANCIAL HIGHLIGHTS**

- Operating receipts decreased 3.6%, or \$22,661, from fiscal 2006 to fiscal 2007.
- Operating disbursements decreased 4.7%, or \$30,883, from fiscal 2006 to fiscal 2007.
- Cash basis net assets increased 1.6%, or \$9,539, from June 30, 2006 to June 30, 2007.

### **USING THIS ANNUAL REPORT**

The Agency 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 the 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, readers 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 Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency'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 Agency and the disbursements paid by the Agency, 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 Agency'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 Agency. 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, 2007 and June 30, 2006 is presented below:

Changes in Cash Basis Net Assets		
	Years ended June 30,	
	2007	2006
Operating receipts:		
County contributions	\$ 61,725	61,725
City contributions	107,025	107,481
Tonnage fees and gate charges	435,591	459,825
Miscellaneous	4,614	2,585
Total operating receipts	<u>608,955</u>	<u>631,616</u>
Operating disbursements:		
Salaries and benefits	161,920	154,865
Insurance	14,478	13,781
Utilities	7,280	3,199
Office supplies	139	477
Vehicle supplies	-	4,003
Recycling	49,198	75,304
Engineering and testing	15,600	4,600
Equipment	2,443	2,380
Solid waste disposal fees	360,125	388,356
Building and grounds	9,085	7,671
Miscellaneous	9,275	5,790
Total operating disbursements	<u>629,543</u>	<u>660,426</u>
Deficiency of operating receipts under operating disbursements	<u>(20,588)</u>	<u>(28,810)</u>
Non-operating receipts:		
Interest on investments	14,366	10,449
Land rent	15,761	12,977
Total non-operating receipts	<u>30,127</u>	<u>23,426</u>
Net change in cash basis net assets	9,539	(5,384)
Cash basis net assets beginning of year	<u>591,099</u>	<u>596,483</u>
Cash basis net assets end of year	<u>\$ 600,638</u>	<u>591,099</u>

In fiscal 2007, operating receipts decreased \$22,661, or 3.6%, from fiscal 2006. The decrease was primarily a result of a decrease in waste tonnage. In fiscal 2007, operating disbursements decreased \$30,883, or 4.7%, from fiscal 2006. The decrease was primarily due to a reduction in charges for processing and transport fees assessed by Carroll County.

A portion of the Agency's net assets, \$10,667 (1.8%), is restricted for closure care. State and federal laws and regulations require the Agency to commit to perform certain closing functions as a condition for the right to operate the transfer station in the current period. The remaining net assets, \$589,971 (98.2%), are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Unrestricted net assets decreased \$9,347, or 1.6%, primarily due to the decrease in revenues.

### **LONG-TERM DEBT**

At June 30, 2007, the Agency had no long-term debt outstanding.

### **ECONOMIC FACTORS**

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

- Facilities require constant maintenance and upkeep.
- The ongoing challenge to maintain the current tipping fees as well as the city and county per capita assessment while operating costs continue to increase for salaries, health insurance premiums and transportation associated with the waste hauling to the Carroll County landfill facility.
- 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, customers and creditors 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 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, 2007

Operating receipts:	
County contributions	\$ 61,725
City contributions	107,025
Tonnage fees and gate charges	435,591
Miscellaneous	4,614
Total operating receipts	<u>608,955</u>
Operating disbursements:	
Salaries and benefits	161,920
Insurance	14,478
Utilities	7,280
Office supplies	139
Recycling	49,198
Engineering and testing	15,600
Equipment	2,443
Solid waste disposal fees	360,125
Building and grounds	9,085
Miscellaneous	9,275
Total operating disbursements	<u>629,543</u>
Deficiency of operating receipts under operating disbursements	<u>(20,588)</u>
Non-operating receipts:	
Interest on investments	14,366
Land rent	15,761
Total non-operating receipts	<u>30,127</u>
Change in cash basis net assets	9,539
Cash basis net assets beginning of year	<u>591,099</u>
Cash basis net assets end of year	<u>\$ 600,638</u>
<b>Cash Basis Net Assets</b>	
Restricted for closure care	\$ 10,667
Unrestricted	<u>589,971</u>
Total cash basis net assets	<u>\$ 600,638</u>

See notes to financial statement.

Shelby County Area Solid Waste Agency

Notes to Financial Statement

June 30, 2007

**(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 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.

### D. Restricted Cash Basis Net Assets

Funds set aside for payment of closure care are classified as restricted.

## **(2) Cash and Investments**

The Agency's deposits in banks at June 30, 2007 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, as amended by Statement No. 40.

## **(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 covered 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, 2007, 2006 and 2005 were \$8,483, \$6,588 and \$6,446, respectively, equal to the required contribution 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. Agency employees also accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon retirement. Upon retirement, full-time employees receive payment equal to 50% of the number of days of sick leave that has been accumulated, multiplied by the current hourly rate of pay. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation and sick leave hours payable to employees at June 30, 2007 was \$17,200. This liability has been computed based on rates of pay in effect at June 30, 2007.



**(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 postclosure care requirements or demonstrate financial assurance for closure and postclosure 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, 2007, the total closure care costs for the Agency have been estimated at \$9,283. A balance of \$10,667 has been restricted for this purpose, fully funding total estimated closure care costs at June 30, 2007.

**(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 \$23 per ton for the solid waste delivered from the Shelby County transfer station. The agreement extends through June 30, 2010.

**(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 \$2,083 per month during fiscal year 2007 for the recyclable materials. The agreement commenced on July 1, 1995 and extends through June 30, 2010.

**(9) Risk Management**

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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, 2007 was \$9,060.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all 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.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee dishonesty in the amounts of \$500,000 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.

**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**

**Shelby County Area Solid Waste Agency**



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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

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, 2007, and have issued our report thereon dated February 5, 2008. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shelby County Area Solid Waste Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Shelby County Area Solid Waste Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Shelby County Area Solid Waste Agency'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Shelby County Area Solid Waste Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Agency's financial statement that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Shelby County Area Solid Waste Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

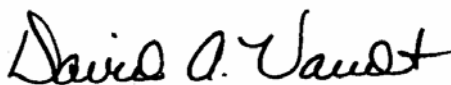
As part of obtaining reasonable assurance about whether the Shelby County Area Solid Waste Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2007 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.

The Shelby County Area Solid Waste Agency's written response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Agency's response, we did not audit the Agency's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely 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

February 5, 2008

Shelby County Area Solid Waste Agency

Schedule of Findings

Year ended June 30, 2007

**Findings Related to the Financial Statement:**

**SIGNIFICANT DEFICIENCY:**

- (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 statement. One individual has custody of receipts and performs all record-keeping pertaining to receipts for the Agency, 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 acknowledged. The Agency could 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.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

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

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) 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 the Agency's investment policy were noted.

---

Shelby County Area Solid Waste Agency

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Adam D. Steffensmeier, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State