



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE November 13, 2014

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the Shelby County Area Solid Waste Agency.

The Agency had total receipts of \$756,416 during the year ended June 30, 2014, a 7.8% increase from the prior year. The receipts included gate and recycling fees of \$497,494 and county and city contributions of \$195,288.

Disbursements for the year ended June 30, 2014 totaled \$758,776, a 6.9% decrease from the prior year, and included \$447,365 for solid waste disposal fees and \$164,867 for salaries and benefits.

The significant increase in receipts is primarily due to the timing of City assessments between fiscal year 2013 and fiscal year 2014 and the solid waste rate increasing from \$40.00 per ton to \$41.00 per ton during fiscal year 2014. The significant decrease in disbursements is primarily due to the purchase of a Caterpillar Telehandler and land improvements in the prior year.

A copy of the audit 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/1414-2345-B00F.pdf>.

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SHELBY COUNTY AREA SOLID WASTE AGENCY

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

JUNE 30, 2014

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-9
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	A 12
Notes to Financial Statement	13-17
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with <u>Government Auditing Standards</u>	19-20
Schedule of Findings	21-22
Staff	23

Shelby County Area Solid Waste Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Terry Cox	Chairperson	City of Harlan
Allison Manz	Member	City of Harlan
Marvin Kenkel	Member	Shelby County Planning Commission
Barry Deuel	Member	Rural Shelby County
Roger Schmitz	Member	Shelby County Board of Supervisors
Daniel Ahart	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:

Report on the Financial Statement

We have audited the accompanying financial statement of the Shelby County Area Solid Waste Agency as of and for the year ended June 30, 2014, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

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, 2014, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 7 through 9, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2014 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 in considering the Shelby County Area Solid Waste Agency's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Shelby County Area Solid Waste Agency (Agency) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Agency is for the year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2014 FINANCIAL HIGHLIGHTS

- Operating receipts increased 8.23%, or \$53,226, from fiscal year 2013 to fiscal year 2014. Operating disbursements remained relatively constant as compared to fiscal year 2013.
- The Agency's cash balance decreased .62%, or \$2,360, from June 30, 2013 to June 30, 2014.

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 is 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 Balance 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.
- 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 Balance

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 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 or decrease in the Agency's cash balance.

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 and disbursements are for interest on investments, insurance proceeds, land rent and capital disbursements. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2014 and June 30, 2013 is as follows:

	Changes in Cash Balance	
	Year ended June 30,	
	2014	2013
Operating receipts:		
County contributions	\$ 61,725	61,725
City contributions	133,563	88,863
Tonnage fees and gate charges	497,494	492,256
Miscellaneous	7,331	4,043
Total operating receipts	<u>700,113</u>	<u>646,887</u>
Operating disbursements:		
Salaries and benefits	164,867	194,469
Insurance	19,188	17,345
Utilities	11,999	10,215
Office supplies	340	276
Recycling	52,292	54,258
Engineering and testing	19,416	24,643
Equipment maintenance	4,816	4,195
Solid waste disposal fees	447,365	409,375
Building and grounds	4,642	5,180
Miscellaneous	19,131	15,498
Total operating disbursements	<u>744,056</u>	<u>735,454</u>
Deficiency of operating receipts under operating disbursements	(43,943)	(88,567)
Non-operating receipts (disbursements):		
Interest on investments	2,703	2,174
Land rent	39,720	52,772
Insurance proceeds	13,880	-
Land improvements	-	(19,763)
Capital disbursements	(14,720)	(59,355)
Net non-operating receipts (disbursements)	<u>41,583</u>	<u>(24,172)</u>
Change in cash balance	(2,360)	(112,739)
Cash balance beginning of year	378,833	491,572
Cash balance end of year	<u>\$ 376,473</u>	<u>378,833</u>
Cash Basis Fund Balance		
Restricted for closure care	\$ 15,000	15,000
Unrestricted	361,473	363,833
Total cash basis fund balance	<u>\$ 376,473</u>	<u>378,833</u>

In fiscal year 2014, operating receipts decreased \$53,226, or 8.23%, from fiscal year 2013. In fiscal year 2014, operating disbursements remained relatively constant as compared to fiscal year 2013. Also, non-operating receipts during fiscal year 2014 included \$13,880 of insurance proceeds received and used to repair a damaged storage door. Non-operating disbursements decreased as a result of the purchase of land improvements and a Caterpillar Telehandler in the prior year.

A portion of the Agency's cash balance, \$15,000 (4%), 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 year. The remaining cash balance, \$361,473 (96%), is unrestricted and can be used to meet the Agency's obligations as they come due. The unrestricted cash balance decreased \$2,360, or .65%, during the year.

LONG-TERM DEBT

At June 30, 2014, the Agency had no long-term debt outstanding.

ECONOMIC FACTORS

The Agency's financial position decreased slightly during the current fiscal year. 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 and equipment 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 hauling waste to the Carroll County landfill facility.
- Annual processing costs 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, 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 the Shelby County Area Solid Waste Agency (SCASWA), 1411 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 Balance

Year ended June 30, 2014

Operating receipts:	
County contributions	\$ 61,725
City contributions	133,563
Tonnage fees and gate charges	497,494
Miscellaneous	7,331
Total operating receipts	<u>700,113</u>
Operating disbursements:	
Salaries and benefits	164,867
Insurance	19,188
Utilities	11,999
Office supplies	340
Recycling	52,292
Engineering and testing	19,416
Equipment maintenance	4,816
Solid waste disposal fees	447,365
Building and grounds	4,642
Miscellaneous	19,131
Total operating disbursements	<u>744,056</u>
Deficiency of operating receipts under operating disbursements	<u>(43,943)</u>
Non-operating receipts (disbursements):	
Interest on investments	2,703
Land rent	39,720
Insurance proceeds	13,880
Capital disbursements	(14,720)
Net non-operating receipts (disbursements)	<u>41,583</u>
Change in cash balance	(2,360)
Cash balance beginning of year	<u>378,833</u>
Cash balance end of year	<u><u>\$ 376,473</u></u>
Cash Balance	
Restricted for closure care	\$ 15,000
Unrestricted	<u>361,473</u>
Total cash balance	<u><u>\$ 376,473</u></u>

See notes to financial statement.

Shelby County Area Solid Waste Agency

Notes to Financial Statement

June 30, 2014

(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 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. Cash Balance

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, 2014 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 maintains an account with the Shelby County Treasurer and periodically transfers funds to Shelby County. The County pays claims and payroll for the Agency. The Agency balance on hand with the Shelby County Treasurer at June 30, 2014 was \$39,997.

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 5.95% of their annual salary and the Agency is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$11,207, \$11,893 and \$11,246, 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. 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, 2014 was \$4,200. This liability has been computed based on rates of pay in effect at June 30, 2014.

(5) Landfill Closure

The landfill closed on June 30, 1994 and started to operate as a transfer station on July 1, 1994. Closure costs were incurred by the 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 Care

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 care 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.

At June 30, 2014, the total closure care costs for the Agency have been estimated at \$10,092. A balance of \$15,000 has been restricted for this purpose, fully funding total estimated closure care costs at June 30, 2014.

(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. Effective January 1, 2013, the Agency pays \$22 per ton for the solid waste delivered from the Shelby County transfer station. The agreement extends through June 30, 2015.

(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 materials 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 \$777 for July 2013 through June 2014. The agreement commenced on July 1, 1995 and extends through June 30, 2015, with a maximum rate of \$1,706 per month.

(9) Risk Management

The Agency is a member of 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 700 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 casualty 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 estimated for the fiscal 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 150% of basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 contributions to the Pool for the year ended June 30, 2014 was \$11,294.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Commission's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, 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 casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its

members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$625 for single coverage and \$1,404 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2014, the Agency contributed \$9,690 and plan members eligible for benefits did not make a contribution to the plan.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

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



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Auditor of State

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

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

We have audited 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, the financial statement of the Shelby County Area Solid Waste Agency as of and for the year ended June 30, 2014, and the related Notes to Financial Statement, and have issued our report thereon dated October 24, 2014. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Shelby County Area Solid Waste Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Shelby County Area Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shelby County Area Solid Waste Agency's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Shelby County Area Solid Waste Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be 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 which are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance or other matters which 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, 2014 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 Responses to the Findings


The Shelby County Area Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Shelby County Area Solid Waste Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 24, 2014

Shelby County Area Solid Waste Agency

Schedule of Findings

Year ended June 30, 2014

Finding Related to the Financial Statement:

INTERNAL CONTROL 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 utilizing currently available staff, including Agency officials.

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.

INSTANCES 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

Schedule of Findings

Year ended June 30, 2014

- (5) Board Membership – The Agency Board is appointed by the Shelby County Board of Supervisors. Article VI of the Intergovernmental Agreement creating the Shelby County Area Solid Waste Agency states, “Each appointee shall be selected to represent the following municipalities: one appointee shall be a resident of the City of Harlan, Iowa; one appointee shall be a resident of Shelby County, but not a resident of any city or town; one appointee shall be a member of the Shelby County Board of Supervisors; one appointee shall be from the Shelby County Planning Commission; and one appointee shall be from a town other than the City of Harlan, Iowa.” Two of the five board members reside in towns other than the City of Harlan. However, these members represent the Shelby County Planning Commission and the Shelby County Board of Supervisors. No other board member has been appointed to represent a town other than the City of Harlan.

Recommendation – The Agency should request the Shelby County Board of Supervisors appoint the appropriate member representatives to the Agency’s governing board as stated in the Intergovernmental Agreement.

Response – We will schedule a Board meeting within the next 30 days. This issue will be addressed at that time.

Conclusion – Response accepted.

Shelby County Area Solid Waste Agency

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Ryan J. Magill, 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