



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

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE February 22, 2005

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Pocahontas County Solid Waste Commission.

The Commission had total receipts of \$262,098 during the year ended June 30, 2004, a less than one percent decrease from 2003. The receipts included city assessments of \$155,282, county assessments of \$69,961 and gate fees of \$29,241.

Disbursements for the year totaled \$224,628, a seven percent increase from the prior year, and included \$56,126 for salaries and benefits, \$58,765 for landfill disposal fees and \$37,852 for recycling.

A copy of the audit report is available for review in the Office of Auditor of State and at the Pocahontas County Solid Waste Commission.

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POCAHONTAS COUNTY SOLID WASTE COMMISSION

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

JUNE 30, 2004

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Pocahontas County Solid Waste Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Paul Beneke	Chair	Pocahontas County
Ron Hauswirth	Member	City of Havelock
Greg Fritz	Member	City of Pocahontas
Greggory Cullen	Member	City of Rolfe
Eloise Enger	Member	City of Laurens
Allan Minkler	Member	City of Plover
Julie Rosenboom	Member	City of Palmer
Richard Kollbaum	Member	City of Varina
Jack DeWolf	Member	Pocahontas County
James Frerk	Manager	
Jeffrey Johnson	Treasurer	

Pocahontas County Solid Waste Commission



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Independent Auditor's Report

To the Members of the Pocahontas County Solid Waste Commission:

We have audited the accompanying financial statement of the Pocahontas County Solid Waste Commission, as of and for the year ended June 30, 2004. This financial statement is the responsibility of the Commission'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.

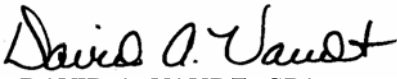
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.


In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Pocahontas County Solid Waste Commission 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 12, during the year ended June 30, 2004, the Pocahontas County Solid Waste Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2004 on our consideration of the Pocahontas County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2004 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts decreased less than one percent, or approximately \$2,300, from fiscal 2003 to fiscal 2004.
- ◆ Operating disbursements increased approximately \$14,000, or 7%, from fiscal 2003 to fiscal 2004.
- ◆ Cash basis net assets increased 10%, or approximately \$37,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The PCSWC 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 PCSWC's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the PCSWC's operating receipts and disbursements, non-operating receipts and disbursements and whether the PCSWC'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 CENTER

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

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2004	2003
Operating receipts:		
City assessments	\$ 155,282	149,250
County assessments	69,961	70,656
Gate fees	29,241	40,022
Miscellaneous	3,629	442
Total operating receipts	<u>258,113</u>	<u>260,370</u>
Operating disbursements:		
Salaries and benefits	56,126	56,302
Operator and recycling contracts	96,616	100,149
Other	71,886	54,089
Total operating disbursements	<u>224,628</u>	<u>210,540</u>
Excess of operating receipts over operating disbursements	33,485	49,830
Non-operating receipts:		
Interest on investments	<u>3,985</u>	<u>2,427</u>
Net change in cash basis net assets	37,470	52,257
Cash basis net assets beginning of year	<u>380,831</u>	<u>328,572</u>
Cash basis net assets end of year	<u>\$ 418,301</u>	<u>380,829</u>

In fiscal 2004, operating receipts decreased by \$2,257, or less than one percent, from fiscal 2003. In fiscal 2004, operating disbursements increased by \$14,088, or 7%, over fiscal 2003. The increase was primarily due to the payment of fiscal 2003 and 2004 insurance premiums in fiscal 2004.

The smaller portion of the PCSWC's cash basis net assets (2%) is restricted for postclosure costs. The remaining portion (98%) are the unrestricted cash basis net assets that can be used to meet the PCSWC's obligations as they come due. The Board of Trustees has historically designated a portion of the unrestricted net assets for the purpose of replacing capital assets as the need arises. At June 30, 2004, the Commission's designated funds totaled \$215,034.

ECONOMIC FACTORS

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

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ State and Federal statutory and regulatory requirements are increasing the demands for recycling which pose problems for smaller towns in the county.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the PCSWC by mail at P.O. Box 98, Pocahontas, IA 50574, by telephone at 712-335-3301 or by e-mail at jjohnson@everttek.net.

Exhibit A

Pocahontas County Solid Waste Commission

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

As of and for the year ended June 30, 2004

Operating receipts:	
City assessments	\$ 155,282
County assessments	69,961
Gate fees	29,241
Miscellaneous	3,629
Total operating receipts	<u>258,113</u>
Operating disbursements:	
Salaries and benefits	56,126
Landfill disposal fees	58,765
Recycling	37,851
Insurance	25,359
Tonnage fees remitted to Landfill Operator	14,101
Legal, accounting and auditing	9,742
Postclosure care	6,400
Utilities and telephone	3,570
Advertising and supplies	3,350
Truck expense	2,932
Repair and maintenance	2,579
Equipment	2,650
Miscellaneous	1,203
Total operating disbursements	<u>224,628</u>
Excess of operating receipts over operating disbursements	33,485
Non-operating receipts:	
Interest on investments	<u>3,985</u>
Change in cash basis net assets	37,470
Cash basis net assets beginning of year	<u>380,831</u>
Cash basis net assets end of year	<u>\$ 418,301</u>
Cash Basis Net Assets	
Restricted for postclosure care	\$ 10,200
Unrestricted	<u>408,101</u>
Total cash basis net assets	<u>\$ 418,301</u>

See notes to financial statement.

Pocahontas County Solid Waste Commission

Notes to Financial Statement

June 30, 2004

(1) Summary of Significant Accounting Policies

The Pocahontas County Solid Waste Commission was formed in 1974 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Commission was established for the purposes of developing, operating and maintaining sanitary disposal and recycling facilities for the units of government that are parties to the agreement. The participating units of government include the cities of Havelock, Laurens, Palmer, Plover, Rolfe, Varina and Pocahontas and Pocahontas County.

In performing its duties, the Commission may cooperate, contract with, and accept and expend funds from federal, state, or local agencies, public or semi-public, private individuals or corporations, and may carry out such cooperative undertakings and contracts as provided by law. The Commission also is empowered to fix, establish and maintain rates and charges to produce revenues to pay the necessary costs of operation and maintenance. Currently, the Commission contracts for landfill operations.

A. Reporting Entity

For financial reporting purposes, the Pocahontas County Solid Waste Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission'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 Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are 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 Pocahontas County Solid Waste Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission 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 closure and postclosure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Commission 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 Investments

The Commission'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 Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Pension and Retirement Benefits

The Pocahontas County Solid Waste Commission 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 Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$2,464, \$2,393 and \$2,322, respectively, equal to the required contribution for each year.

(4) Compensated Absences

Commission 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 Commission until used or paid. The Commission's approximate liability to employees for earned vacation leave was \$700 at June 30, 2004. This liability has been computed based on rates of pay in effect at June 30, 2004.

(5) Risk Management

The Pocahontas County Solid Waste Commission is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Solid Waste Disposal Contract

The Pocahontas County Solid Waste Commission entered into a contract with the City of Spencer (Landfill Operator) for the disposal of all solid waste which has been first collected at the Commission's transfer station. Under the contract, the Landfill Operator accepts the solid waste for disposal according to applicable rules, laws and regulations. During the year ended June 30, 2004, the Landfill Operator was paid \$58,765 under this contract and an additional \$14,101 in tonnage fees mandated by the Iowa Department of Natural Resources.

(7) Drop-Box Recycling Contract

The Pocahontas County Solid Waste Commission entered into a contract for receptacles for the purpose of furnishing rural residents a place to deliver and dispose of recyclable solid waste. Under the contract, the contractor will deliver and install the drop-boxes and will deliver the contents of each drop-box to another contractor at Emmetsburg, Iowa. During the year ended June 30, 2004, the contractor was paid \$23,002 under this contract.

(8) Recyclable Materials Disposal Contract

The Pocahontas County Solid Waste Commission entered into a contract for the disposal of recyclable material. Under the contract, the contractor accepts and disposes of recyclable material collected at drop-boxes and of recyclable material delivered to them. During the year ended June 30, 2004, the contractor was paid \$11,749 under this contract.

(9) Postclosure Care Costs

The Pocahontas County Solid Waste Commission has contractually assumed a portion of the postclosure care costs of the landfill located in Palo Alto County. The contract is to be paid in five annual installments of \$6,400, beginning July 1, 2002. The Commission paid one installment of \$6,400 during the year, leaving a balance due at June 30, 2004 of \$12,800.

At June 30, 2004, the Commission had dedicated \$10,200 for this purpose.

(10) Appliance Recycling Contract

The Pocahontas County Solid Waste Commission entered into a contract dated May 4, 2003, for the purpose of recycling appliances. During the year ended June 30, 2004, the contractor was paid \$3,100 under the terms of the contract.

(11) Designated Balances

The Commission maintains designated balances in separate ledger accounts identified for specific types of equipment. The following is a summary of the activity for the year:

	<u>Amount</u>
Balance beginning of year	\$ 177,206
Additional designations	40,478
Equipment replacements	<u>(2,650)</u>
Balance end of year	<u>\$ 215,034</u>

(12) Accounting Change

For the year ended June 30, 2004, the Commission 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 Commission.



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

To the Members of the Pocahontas County Solid Waste Commission:

We have audited the financial statement of the Pocahontas County Solid Waste Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pocahontas County Solid Waste Commission'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.

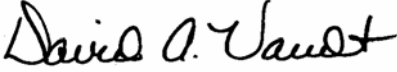
Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pocahontas County Solid Waste Commission'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Pocahontas County Solid Waste Commission and other parties to whom the Commission 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 Pocahontas County Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2004

Pocahontas County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

Findings Related to Required Statutory Reporting:

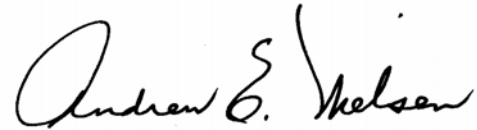
- (1) Official Depositories – A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (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 the Commission's investment policy were noted.

Pocahontas County Solid Waste Commission

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Kristen E. Harang, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State