

COPY

Northwest Iowa Area
Solid Waste Agency

FINANCIAL REPORT

June 30, 2004

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Northwest Iowa Area Solid Waste Agency
Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Les Brommer	Chairman	Sioux County
Bill Imhoff	Vice-Chairman	Osceola County
Bernard Smith	Executive Board Member	Sioux County
Scott Maggert	Executive Board Member	Sioux County
Dan Struve	Executive Board Member	O'Brien County
Duane Van Veldhuizen	Executive Board Member	O'Brien County
Kevin Welch	Executive Board Member	O'Brien County
Gary Benz	Executive Board Member	Osceola County
Bob Truckenmiller	Executive Board Member	Osceola County
Joe Schnell	Executive Board Member	Clay County
Marlin Hilbrands	Executive Board Member	Lyon County
Wes Koedam	Executive Board Member	Lyon County
Bob Gerber	Executive Board Member	Lyon County
Dennis Dokter	Board Member	City of Alton
Roger Nelson	Board Member	City of Boyden
Jeff Bunkers	Board Member	City of Granville
John Solsma	Board Member	City of Hospers
Rod Te Krony	Board Member	City of Hull
Jerry Burgers	Board Member	City of Rock Valley
Duane Feekes	Board Member	City of Orange City
Virgil Van Schepen	Board Member	City of Maurice
Dennis Burns	Board Member	City of Ireton
Tom Kane	Board Member	City of Hawarden
Larry Van Donslear	Board Member	City of Archer
Blayne Johnson	Board Member	City of Hartley
Pat Hill	Board Member	City of Paullina
Jim Thompson	Board Member	City of Primghar
Robert Draper	Board Member	City of Sutherland
Donna Butcher	Board Member	City of Calumet
William Honkomp	Board Member	City of Ashton
Rose Lloyd	Board Member	City of Harris
Arlene Wimmer	Board Member	City of Royal
Jerry Johnson	Board Member	City of Sibley
Shawn Smith	Board Member	City of Fostoria
Allen Hockett	Board Member	City of Dickens
Jody Clark	Board Member	City of Greenville
Kathy Hegwer	Board Member	City of Rossie
Ken Essick	Board Member	City of Webb
Jane Mohror	Board Member	City of Peterson
Jeff Veldman	Board Member	City of Doon
Ivan Staufacker	Board Member	City of George
Dan Moen	Board Member	City of Inwood
Kenny Schilling	Board Member	City of Little Rock
Don DeYong	Board Member	City of Rock Rapids
Leonard Vanden Bosch	Board Member	City of Larchwood

Northwest Iowa Area Solid Waste Agency
 Officials - continued

Loren Bouma	Alternate Board Member	Sioux County
Ron Minten	Alternate Board Member	City of Alton
Robert Fischer	Alternate Board Member	City of Granville
Aaron Alons	Alternate Board Member	City of Hospers
Tom Van Maanen	Alternate Board Member	City of Rock Valley
Ted Loucks	Alternate Board Member	City of Orange City
Murray Hulstein	Alternate Board Member	City of Sioux Center
David Hohbach	Alternate Board Member	City of Matlock
Randy Feenstra	Alternate Board Member	City of Hull
Debra Korleski	Alternate Board Member	City of Ireton
Jeff Novaha	Alternate Board Member	City of Hawarden
Ryan Hoekstra	Alternate Board Member	City of Maurice
Ken Hoogendorn	Alternate Board Member	City of Boyden
Tom Farnsworth	Alternate Board Member	O'Brien County
Bonita Elgersma	Alternate Board Member	City of Archer
Kent Kunkel	Alternate Board Member	City of Calumet
Pam Sease	Alternate Board Member	City of Hartley
Ed Bettin	Alternate Board Member	City of Paullina
Clara Black	Alternate Board Member	City of Primghar
Jim Zuetenhorst	Alternate Board Member	City of Sanborn
Eldor Schuerman	Alternate Board Member	City of Sheldon
Daryl Stenge	Alternate Board Member	Osceola County
Dennis Hatting	Alternate Board Member	City of Ashton
Dan Breems	Alternate Board Member	City of Harris
Ron Wynia	Alternate Board Member	City of Melvin
Kevin Espey	Alternate Board Member	City of Ocheyedan
Dan Zulkosky	Alternate Board Member	City of Sibley
Mark Thompson	Alternate Board Member	City of Fostoria
Steve Simmons	Alternate Board Member	City of Dickens
Charles Robert Fritz	Alternate Board Member	City of Webb
Bud Meyer	Alternate Board Member	City of Everly
Larry Trosin	Alternate Board Member	City of Rossie
Pam Virelli	Alternate Board Member	City of Royal
Steve Lohr	Alternate Board Member	City of Peterson
Larry Landman	Alternate Board Member	Lyon County
Marvin Kempema	Alternate Board Member	City of Doon
Les Gayer	Alternate Board Member	City of Inwood
Bill Henrichs	Alternate Board Member	City of Little Rock
Bob Top	Alternate Board Member	City of Rock Rapids
Lavonne Reinke	Alternate Board Member	City of Larchwood
John Stegeman	Alternate Board Member	City of George
Doug Wenzel	Alternate Board Member	City of Lester
David Honkomp	Manager	
Elliot Waddell	Engineer	

Board of Directors
Northwest Iowa Area Solid Waste Agency
Sheldon, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Northwest Iowa Area Solid Waste Agency (an intergovernmental organization) as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Area Solid Waste Agency as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

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

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2004 on our consideration of Northwest Iowa 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 5 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain 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 management's discussion and analysis.

K.F. Murphy Company, P.C.
K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
August 31, 2004

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Agency's operating revenues decreased 12%, or \$127,326, from fiscal 2003 to fiscal 2004. Recycling fees increased and gate fees decreased. This decrease in gate fees was primarily due to the withdrawal of Spencer as a member. Other income includes settlement proceeds for the City of Spencer of \$250,000 as compensation for their share of postclosure and monitoring and maintenance costs based on their pro rata share of waste prior to their withdrawal date.

The Agency's operating expenses were 6%, or \$47,604, less in fiscal 2004 than in fiscal 2003.

The Agency's net assets increased 17%, or \$430,782, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

Northwest Iowa Area Solid Waste Agency is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Nets Assets is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY*Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal year 2004 total approximately \$2,970,000. This compares to approximately \$2,540,000 for fiscal year 2003. A summary of the Agency's net assets is presented below.

Net Assets		
	June 30,	
	2004	2003
Current assets	\$ 1,643,977	\$ 1,531,301
Restricted assets	1,216,411	968,903
Capital assets at cost, less accumulated depreciation	<u>1,050,642</u>	<u>973,001</u>
Total assets	<u>3,911,030</u>	<u>3,473,205</u>
Current liabilities	75,097	96,893
Noncurrent liabilities	<u>865,154</u>	<u>836,315</u>
Total liabilities	<u>940,251</u>	<u>933,208</u>
Net assets:		
Invested in capital assets, net of related debt	1,050,642	973,001
Restricted	1,216,411	968,903
Unrestricted	<u>703,726</u>	<u>598,093</u>
Total net asset	<u>\$ 2,970,779</u>	<u>\$ 2,539,997</u>

A portion of the Agency's net assets (41%) is restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net assets (59%) are the unrestricted net assets that can be used to meet the Agency's obligations as they come due.

Net assets are presented in the following three components:

Invested in capital assets, net of related debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of the bonds and capital lease obligations that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Restricted net assets consists of funds on which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.

Unrestricted fund equity

Unrestricted fund equity has no externally imposed restrictions on use.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2004 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2004	2003
Operating revenue:		
Gate fees	\$ 728,837	\$ 863,623
Recycling fees	<u>163,773</u>	<u>156,313</u>
Total operating revenue	892,610	1,019,936
Operating expenses:		
Salaries and employee benefits	372,728	387,136
Directors fees and meetings	3,242	3,095
Gas, oil and grease	40,758	44,053
Telephone and utilities	3,175	4,421
Office, shop supplies and tools	3,244	2,846
Repairs and maintenance	18,350	28,074
Payroll taxes	23,207	25,206
Insurance	48,357	47,712
Professional fees	8,003	16,302
Depreciation	127,104	118,808
Advertising	3,571	3,074
Miscellaneous	962	492
Custodial expense	1,560	1,530
Education and training	402	-
Gravel	6,526	5,885
Engineering, hydrological studies and water sampling	12,913	18,287
Recycling expenses	22,490	22,535
Solid waste fee	24,798	31,589
Appliance and tire disposal fees	9,752	17,701
Closure and postclosure costs	<u>28,838</u>	<u>28,838</u>
Total operating expenses	<u>759,980</u>	<u>807,584</u>
Operating income	<u>132,630</u>	<u>212,352</u>
Non-operating revenues:		
Interest income	45,855	46,204
Net farm income	2,235	4,666
Settlement proceeds	<u>250,062</u>	-
Total non-operating revenue	<u>298,152</u>	<u>50,870</u>
Increase in net assets	430,782	263,222
Net assets beginning of year	<u>2,539,997</u>	<u>2,276,775</u>
Net assets end of year	<u>\$ 2,970,779</u>	<u>\$ 2,539,997</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal year 2004, operating revenues decreased by \$127,326, or 12%, primarily a result of gate fees decreasing due to a decrease in the volume of collections. Operating expenses decreased by \$47,604, or 6%. The decrease in operating revenues was primarily due to the withdrawal of Spencer as a member. Included in other income are "settlement fees" of \$250,000 as compensation for their pro rata share of closure, postclosure, monitoring and maintenance costs.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits, Iowa Investment Trust Fund, and interest income.

CAPITAL ASSETS

At June 30, 2004, the Agency had \$1,050,642 invested in capital assets, net of accumulated depreciation of \$1,486,630. Depreciation charges totaled \$127,104 for fiscal year 2004. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

Northwest Iowa Area Solid Waste Agency continued to improve its 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 at the Agency 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.

Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

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

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 Northwest Iowa Area Solid Waste Agency, 4540 360th Street, Sheldon, Iowa.

Northwest Iowa Area Solid Waste Agency
Statements of Net Assets

		June 30	
		2004	2003
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	280,560	\$ 250,819
Certificates of deposit		994,294	850,000
Investments		211,333	269,953
Accounts receivable		90,081	101,201
Accrued interest receivable		12,040	6,567
Prepaid insurance		55,669	52,761
Total current assets		1,643,977	1,531,301
CAPITAL ASSETS			
Net of accumulated depreciation		1,050,642	973,001
RESTRICTED ASSETS			
Cash and cash equivalents		230,544	222,023
Certificate of deposit		985,867	746,880
Total restricted assets		1,216,411	968,903
Totals		\$ 3,911,030	\$ 3,473,205

See notes to financial statements.

LIABILITIES & FUND EQUITY

CURRENT LIABILITIES

	2004	2003
Accounts payable	\$ 16,996	\$ 27,881
Solid waste tax payable	45,169	55,998
Accrued property taxes	924	1,200
Compensated absences	12,008	11,814
Total current liabilities	<u>75,097</u>	<u>96,893</u>

NONCURRENT LIABILITIES

Estimated liability for landfill closure and postclosure costs	865,154	836,315
Total noncurrent liabilities	<u>865,154</u>	<u>836,315</u>
Total liabilities	<u>940,251</u>	<u>933,208</u>

NET ASSETS

Invested in capital assets, net of related debt	1,050,642	973,001
Reserved for		
Tonnage fees retained	230,544	222,023
Closure and postclosure care costs	985,867	746,880
Unreserved	703,726	598,093
Total net assets	<u>2,970,779</u>	<u>2,539,997</u>

Totals	<u>\$ 3,911,030</u>	<u>\$ 3,473,205</u>
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Statements of Revenue, Expenses and Changes in Net Assets

	June 30	
	2004	2003
REVENUE		
Gate fees	\$ 728,837	\$ 863,623
Recycling fees	163,773	156,313
Total revenue	892,610	1,019,936
OPERATING EXPENSES		
Salaries and wages	310,910	330,108
Directors and meetings	3,242	3,095
Gas, oil and grease	40,758	44,053
Telephone and utilities	3,175	4,421
Office supplies and services	2,661	2,231
Tools and supplies	583	615
Repairs and maintenance	18,350	28,074
Payroll taxes	23,207	25,206
Pension expense	15,231	16,231
Insurance	48,357	47,712
Employee benefits	46,587	40,797
Professional fees	8,003	16,302
Depreciation	127,104	118,808
Advertising	3,571	3,074
Miscellaneous	962	492
Custodial expense	1,560	1,530
Education and training	402	-
Gravel	6,526	5,885
Engineering and hydrological study	9,990	15,120
Water sample expense	2,923	3,167
Recycling project	22,490	22,535
Iowa Department of Natural Resources tonnage fee	24,798	31,589
Appliance disposal fees	9,752	10,688
Tire disposal fees	-	7,013
Closure and postclosure care costs	28,838	28,838
Total operating expenses	759,980	807,584
Operating income	132,630	212,352
NONOPERATING REVENUE		
Interest income	45,855	46,204
Settlement proceeds	250,062	-
Farm income, net of expenses 2004 \$4,491; 2003 \$2,510	2,235	4,666
Total nonoperating revenue	298,152	50,870
Net income	430,782	263,222
Net assets beginning of year	2,539,997	2,276,775
Net assets end of year	\$ 2,970,779	\$ 2,539,997

See notes to financial statements.

Statements of Cash Flows

	June 30	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,057,079	\$ 874,458
Cash paid to suppliers and employees	(603,944)	(644,915)
Cash received from farming	6,726	7,176
Cash paid relating to farming	(4,491)	(2,510)
Cash received from solid waste tax	71,915	91,609
Net cash provided by operating activities	<u>527,285</u>	<u>325,818</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(204,744)	(89,788)
Net cash (used in) capital and related financing activities	<u>(204,744)</u>	<u>(89,788)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Iowa Investment Trust Fund	-	(115,000)
Proceeds from Iowa Investment Trust Fund	60,000	352,871
Purchase of Certificates of Deposit	(383,281)	(455,634)
Interest received	39,002	31,632
Net cash provided by (used in) investing activities	<u>(284,279)</u>	<u>(186,131)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,262	49,899
CASH AND CASH EQUIVALENTS		
Beginning	<u>472,842</u>	<u>422,943</u>
Ending	<u>\$ 511,104</u>	<u>\$ 472,842</u>

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
Statements of Cash Flows (continued)

	June 30	
	2004	2003
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEETS		
Per balance sheets		
General fund, cash and cash equivalents	\$ 280,560	\$ 250,819
Restricted fund, cash and cash equivalents	230,544	222,023
Total per statement of cash flows	\$ 511,104	\$ 472,842
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 132,630	\$ 212,352
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	127,104	118,808
Closure and postclosure costs	28,838	28,838
Component of operating income reclassified		
for purposes of reporting cash flows:		
Settlement proceeds	250,062	-
Farm income, net	2,235	4,666
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	11,120	(22,280)
Decrease (increase) in prepaid insurance	(2,908)	(21,179)
Increase (decrease) in solid waste tax payable	(10,829)	(6,724)
Increase (decrease) in accounts payable	(10,885)	10,580
Increase (decrease) in accrued property taxes	(276)	140
Increase (decrease) in compensated absences	194	617
Total adjustments	394,655	113,466
Net cash provided by operating activities	\$ 527,285	\$ 325,818

See notes to financial statements

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northwest Iowa Area Solid Waste Agency is an intergovernmental organization organized under the provisions of Chapter 28E of the laws of the State of Iowa for the purpose of providing for the economic disposal and recycling of solid waste generated within each member municipality located in a five county area. Admissions to the Agency is on a voluntary basis, with new members being approved by the existing Board of Directors. The Agency also provides disposal services to private contractors. The Agency, being an intergovernmental organization, is exempt from income taxes.

For financial reporting purposes, the 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 statements 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 Northwest Iowa Area Solid Waste Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Northwest Iowa Area Solid Waste Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in conjunction with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 and 2003, include certificates of deposit of \$994,294 and \$850,000, respectively.

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets - Funds set aside for payment of closure and postclosure costs are classified as restricted.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the useful lives of the assets. Buildings and lease improvements are amortized over twenty five years and equipment is depreciated over a five to seven year life.

The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2004 or 2003.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2004 and 2003.

Net Assets - Net assets are presented in the following three components:

Invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of the bonds and capital lease obligations that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - consists of funds on which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.

Unrestricted net assets - have no externally imposed restrictions on use.

NOTE 2 CASH AND INVESTMENTS

The Agency's deposits at June 30, 2004 and 2003 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United State 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's investments at June 30, 2004 and 2003 were as follows:

	<u>Carrying Amount</u>	<u>Market Amount</u>
2004 Iowa Investment Trust	<u>\$ 211,333</u>	<u>\$ 211,333</u>
2003 Iowa Investment Trust	<u>\$ 269,953</u>	<u>\$ 269,953</u>

NOTES TO FINANCIAL STATEMENTS (continued)**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment is summarized by major classification as follows:

	Balance			Balance
	<u>6/30/2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2003</u>
Land	\$ 183,046	\$ -	\$ -	\$ 183,046
Land improvements	136,230	28,638	-	164,868
Equipment	1,427,473	67,339	-	1,494,812
Buildings	455,308	7,445	-	462,753
Office equipment	<u>27,049</u>	<u>-</u>	<u>-</u>	<u>27,049</u>
	2,229,106	103,422	-	2,332,528
Less accumulated depreciation	<u>(1,240,719)</u>	<u>(118,808)</u>	<u>-</u>	<u>(1,359,527)</u>
Totals	\$ 988,387	\$ (15,386)	\$ -	\$ 973,001

	Balance			Balance
	<u>6/30/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2004</u>
Land	\$ 183,046	\$ -	\$ -	\$ 183,046
Land improvements	164,868	3,456	-	168,324
Equipment	1,494,812	28,690	-	1,523,502
Buildings	462,753	172,598	-	635,351
Office equipment	<u>27,049</u>	<u>-</u>	<u>-</u>	<u>27,049</u>
	2,332,528	204,744	-	2,537,272
Less accumulated depreciation	<u>(1,359,527)</u>	<u>(127,103)</u>	<u>-</u>	<u>(1,486,630)</u>
Totals	\$ 973,001	\$ 77,641	\$ -	\$1,050,642

NOTE 4 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 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 contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$15,231, \$16,231 and \$15,817, respectively, equal to the required contributions for each year.

NOTE 5 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. July 1, 1990, the Agency joined together with local government agencies in the State to form Iowa Community Assurance Pool (ICAP), a public entity risk pool currently operating as a common risk management and insurance program. The Agency pays an annual premium to ICAP for its general insurance coverage. The agreement for formation of ICAP provides that ICAP will be self-sustaining through member premiums and will reinsure through commercial companies for claims on excess of \$250,000 for each insured event.

The Agency continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 MAJOR CUSTOMERS

For the period ending June 30, 2004, three customers accounted for 25% of gate receipts. For the period ending June 30, 2003, two customers accounted for 46% of gate receipts.

NOTE 7 RELATED PARTIES

The Agency collects gate fees in the normal course of business from solid waste carriers who also serve on the Agency's Board. Following is a summary:

	<u>2004</u>	<u>2003</u>
Gate Fees	\$ 196,732	\$ 195,675
Receivable at June 30	20,333	18,040

NOTE 8 CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect on the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Northwest Iowa Area Solid Waste Agency have been estimated at \$1,874,500 as of June 30, 2004 and the portion of the liability that has been recognized is \$865,154. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 35 years and the capacity used at June 30, 2004 is approximately 47 percent.

NOTE 8 CLOSURE AND POSTCLOSURE COSTS (continued)

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and at June 30, 2004, assets of \$985,867 are restricted for these purposes. They are reported as restricted assets and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

NOTE 9 SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2004, the unspent amount retained by the Agency and restricted for required purposes totaled \$230,544.

NOTE 10 ACCOUNTING CHANGE

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

NOTE 11 MEMBER WITHDRAWAL

On February 2, 2004, the Agency approved a withdrawal agreement between the Agency and the City of Spencer. The City of Spencer was required to pay \$250,000 to the Agency pursuant to the terms of the agreement for their share of postclosure and monitoring and maintenance costs based on their pro rata share of waste of 10.7%. The money was paid to the Agency prior to June 30, 2004.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of Northwest
Iowa Area Solid Waste Agency:

We have audited the financial statements of the Northwest Iowa Area Solid Waste Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated August 31, 2004.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Area Solid Waste Agency's financial statements are 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, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements 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. Prior year statutory comments have been resolved except for item seven.

Internal Control Over Financial Reporting

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

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

This report, a public record by law, is intended solely for the information and use of the members and constituents of Northwest Iowa 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 Northwest Iowa 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.

K.F. Murphy Company, P.C.
K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
August 31, 2004

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2004

Findings Related to the Financial Statements:Reportable Condition:

- A. Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the preparation of checks, reconciling of the bank statement, and execution of general ledger functions were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives to obtain the maximum internal control possible.

Conclusion - Response accepted.

Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Current year statutory comments are as follows:

1. Official Depositories - A resolution naming official depositories has been adopted by the Agency.
2. Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
4. Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
5. Deposits and Investments - The Agency has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
6. Solid Waste Fees Retainage - During the year ended June 30, 2004, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
7. Financial Assurance - The Agency has not fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS (continued)
For the Year Ended June 30, 2004

Total estimated costs for closure and postclosure costs	\$ 1,874,500
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>(746,880)</u>
	1,127,620
Divided by the number of years remaining in the pay-in period	<u>4</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	281,905
Balance of funds held in the local dedicated fund at June 30, 2003	<u>746,880</u>
Required balance of funds held in the local dedicated fund at June 30, 2004	<u>\$ 1,028,785</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2004	<u>\$ 985,867</u>

Recommendation - The Agency should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Administrative Code requirements.

Response - The board has approved the transfer of funds by July 31, 2004 to cover the funding for the year.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

K.F. Murphy Company, P.C.
K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
August 31, 2004