WRIGHT COUNTY AREA LANDFILL AUTHORITY
CLARION, IOWA

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

June 30, 2004

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Wright County Area Landfill Authority

Officials

Name	Title	Representing
Steve Whyte	Chairman	Goldfield
Jerry Cayler	Vice-Chairman	Galt
Arlen Olson	Member	Alexander
Earl Kalkwarf	Member	Belmond
No Current Appointee	Member	Clarion
Roseanne Beyer	Member	Dows
Dixie Revland	Member	Goodell
Burneil Jones	Member	Rowan
No Current Appointee	Member	Woolstock
Rod Toftey	Member	Wright County
Jim Meade	Manager	

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Wright County Area Landfill Authority:

We have audited the accompanying financial statement of Wright County Area Landfill Authority as of and for the year ended June 30, 2004. This financial statement is the responsibility of the Authority'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 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 that 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 Wright County Area Landfill Authority as of June 30, 2004 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in note 9, during the year ended June 30, 2004, Wright County Area Landfill Authority 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 20, 2004, on our consideration of Wright County Area Landfill Authority'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 considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 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 inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

August 20, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

The Wright County Area Landfill Authority provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Wright County Area Landfill Authority is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Authority's financial statement, which follows.

2004 Financial Highlights

- The Authority's operating receipts decreased 4%, or approximately $24,701, from fiscal 2003 to fiscal 2004.
- The Authority's operating disbursements increased 7%, or approximately $38,573 from fiscal 2003 to fiscal 2004.
- The Authority's net assets decreased 9%, or approximately $16,325, from June 30, 2003 to June 30, 2004.

Using This Annual Report

The Authority has elected to present its financial statements on a 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 of recognizing, expenses and the related assets and liabilities. Under the Authority's 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 these financial statements. 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 the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Authority's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Wright County Area Landfill Authority's basic financial statements. 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 Authority's financial activities.

- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Authority's operating receipts and disbursements, non-operating receipts and disbursements and whether the Authority's financial position has improved or deteriorated as a result of the year's activities.

- The Notes to the Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Financial Analysis of the Authority

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 Authority and the disbursements paid by the Authority, both operating and non-operating. The statement also presents a fiscal snapshot of the Authority's cash balance at year end. Over time readers of the financial statement are able to determine the Authority'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 Authority. Operating disbursements are disbursements paid to operate the Wright County Transfer Station. Non-operating receipts and disbursements are for interest on investments, debt proceeds, debt principal and interest.

A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2004 and June 30, 2003 are presented in figure 1.

Figure 1

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

	June 30, 2004	June 30, 2003
Operating Receipts:		
Member assessments	$276,525	$276,525
Other transfer station receipts	$346,958	$368,471
Recycling	$4,453	$4,494
Percentage share from former members	$4,916	$5,380
Finance charges	$1,361	$4,044
Total operating receipts	$634,213	$658,914

Operating Disbursements:		
Salaries and manager contract	$95,217	$94,956
Payroll tax & employee benefits	$26,649	$22,855
Insurance	$23,918	$20,450
Legal & accounting	$1,850	$1,675
Administrative expenses	$7,560	$5,723
Utilities	$5,856	$5,099
Engineering and consulting	$4,580	$8,617
Gas & fuel	$15,048	$14,036
Well testing	$3,660	$4,093
RIWMA assessment	$247,815	$230,953
Curbside recycling	$96,730	$96,730
Other recycling	$10,954	$5,008
Contract trucking	$4,050	$2,700
Miscellaneous expenses	$2,922	$1,146
Repairs and improvements	$30,390	$24,585
Total operating disbursements	$577,199	$538,626
Excess operating receipts and operating disbursements	$57,014	$120,288
Non-Operating Receipts (Disbursements):		
Proceeds from RIWMA land sale	$6,000	$6,500
Other proceeds	$0	$7,937
Interest on investments	$1,548	$2,416
Capital loan note principal	($33,601)	($31,812)
Bank loan principal	($21,965)	($20,777)
Equipment capital lease principal	($9,669)	($9,208)
Interest expense	($15,652)	($19,090)
Net non-operating receipts (disbursements)	($73,339)	($64,034)
Change in cash basis net assets	($16,325)	$56,254
Net assets – cash basis – beginning of year	$188,489	$132,235
Net assets – cash basis – end of year	$172,164	$188,489
Cash Basis Net Assets:		
Restricted for transfer station closing costs	$14,784	$0
Unrestricted	$157,380	$188,489
	$172,164	$188,489

In fiscal 2004, operating receipts decreased by $24,701 or 4%, from fiscal 2003. The decrease was primarily a result of decreased tonnage received at the transfer station (6%<) and a decrease in late fees paid by customers (66%<).

In fiscal 2004, operating disbursements increased by $38,573, or 7%, from fiscal 2003. The increase was primarily a result of higher rates at the RIWMA landfill (7%>), workers compensation insurance (46%>), property insurance (13%>), employee medical insurance (33%> and contract hauling (50%>). However, these increases were offset by a decrease in engineering fees (47%<).

The largest portion of the Authority's net assets (91.4%) are the unrestricted net assets that can be used to meet the Authority's obligations as they come due. The remaining net assets of (8.6%) are the restricted net assets to be used for the closure of the Wright County Transfer Station, at some point in the future. The State law requiring that these funds be set aside in a closure account became effective June 1, 2004. The amount of funds required in this closure account must be recalculated on an annual basis, and as a result, the fund balance will likely change annually. Unrestricted net assets decreased $31,109, or 16.5%, during the year due to funds being transferred into the new closure account and due to a partial payment on a new fire detection system. The fire detection system was also a new State requirement which became effective June 1, 2004. Restricted net assets increased 100% during the fiscal year due to the new closure account requirements.

Long-Term Debt

At June 30, 2004, the authority had $200,389 of general obligation capital loan notes outstanding. The notes were issued in 1994 to finance the closure costs on the Wright County Lanfill. The Authority also had $5,585 outstanding on a building loan that was borrowed in 1999. The loan helped finance an addition to the Transfer Station. The Authority also had $26,189 outstanding on a capital lease for the purchase of a wheel loader. The wheel loader was purchased in 2002 for use at the Transfer Station.

Economic Factors

The Wright County Area Landfill Authority's financial position declined during the 2004 fiscal year. The two major factors in this decline are increasing insurance costs and the continued increase in costs at the RIWMA landfill. The Authority will be reviewing the need to increase rates at the Wright County Transfer Station. The Authority will also be reviewing the possibility of leaving the current disposal facility (RIWMA landfill) and joining another.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wright County Area Landfill Authority at PO Box 173, Clarion, Iowa 50525.

FINANCIAL STATEMENT

Exhibit A

WRIGHT COUNTY AREA LANDFILL AUTHORITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS NET ASSETS

YEAR ENDED JUNE 30, 2004

	$
Operating receipts	
Member assessments	276,525
Other transfer station receipts	346,958
Recycling	4,453
Percentage share from former members	4,916
Finance charges	1,361
Total operating receipts	634,213
Operating disbursements	
Salaries and manager contract	95,217
Payroll taxes & employee benefits	26,649
Insurance	23,918
Legal & accounting	1,850
Administrative expenses	7,560
Utilities	5,856
Engineering and consulting	4,580
Fuel	15,048
Well testing	3,660
RIWMA assessment	247,815
Curbside recycling	96,730
Other recycling	10,954
Contract trucking/labor	4,050
Miscellaneous expenses	2,922
Repairs and improvements	30,390
Total operating disbursements	577,199
Excess of operating receipts over operating disbursements	57,014
Non-operating receipts (disbursements):	
Proceeds from RIWMA land sale	6,000
Interest on investments	1,548
Capital loan note principal	(33,601)
Bank loan principal	(21,965)
Equipment capital lease principal	(9,669)
Interest expense	(15,652)
Net nonoperating receipts (disbursements)	(73,339)
Change in cash basis net assets	(16,325)
Cash basis net assets beginning of year	188,489
Cash basis net assets end of year	172,164
Cash basis net assets	
Restricted for transfer station closure	14,784
Unrestricted	157,380
Total cash basis net assets	172,164

See Notes to Financial Statement

WRIGHT COUNTY AREA LANDFILL AUTHORITY
NOTES TO FINANCIAL STATEMENT

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

Wright County Area Landfill Authority is a separate legal entity incorporated under Chapter 28E of the Code of Iowa. Its purpose is to provide economic disposal, or collection and disposal, of solid waste produced or generated within each member city, town or unincorporated portion of Wright County, Iowa, and to cooperate with public officials in preventing the contamination and pollution of the land, water and air resources of the area.

Wright County Area Landfill Authority is a member of the Rural Iowa Waste Management Association (RIWMA). RIWMA is a separate entity organized under the provisions of Chapter 28E of the Iowa Code. The 28E agreement is made and entered into by and between Hardin County Sanitary Solid Waste Disposal Commission, Butler County Solid Waste Commission, Hamilton County Solid Waste Commission and Wright County Area Landfill Authority to effectively provide for the sanitary disposal of solid waste within their boundaries through the joint operation of a landfill site and the initiation of such other solid waste reduction or recycling programs as deemed necessary and beneficial to the citizens they serve. RIWMA operates a landfill in Hardin County.

A. Reporting Entity

For financial reporting purposes, the Wright County Area Landfill Authority has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Authority has also considered all potential components units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority'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 Authority 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 Authority. The Wright County Area Landfill Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Authority 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 the costs 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 periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Enterprise Funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

C. Basis of Accounting

Wright County Area Landfill Authority maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Authority are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payable for closure and postclosure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the Authority in accordance with U.S. generally accepted accounting principles.

D. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets:

Cash Equivalents – The Authority 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, have a maturity date no longer than three months.

Restricted Cash Basis Net Assets - Funds set aside for payment of transfer station closure are classified as restricted.

(2) Cash and Investments

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

(3) Pension and Retirement Benefits

The Authority 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 Authority is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contributions requirements are established by state statute. The Authority's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were $4,903, $4,916 and $4,578, respectively, equal to the required contributions for each year.

(4) Closure and Postclosure Care Costs

The Authority ceased operations at its landfill in Wright County on July 1, 1994. The Landfill was covered with dirt during the year ending June 30, 1995. The Authority must monitor the landfill for contamination for the next 20 years. The Authority does not have an estimate of post closure costs for the next 20 years. Per the 28E agreement Wright County and each participating city have agreed to share in the post closure costs of the Wright County Landfill.

Wright County Area Landfill Authority has developed closure procedures for its transfer station as required by the Iowa Administrative Code. As part of the closure procedures the Authority as prepared a transfer station closure cost estimate. At June 30, 2004 the estimated cost to close the transfer station is $13,234. The authority has demonstrated financial assurance for these closure costs by designating a savings account with a balance of $14,764 as the closure account for the transfer station.

(5) Risk Management

The Wright County Area Landfill Authority is a member in the Iowa Communities Assurance Pool, as allowed by chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Authority's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Authority's annual contributions to the Pool for the year ended June 30, 2004 were $17,674.

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 $250,000 per claim. Claims exceeding $250,000 are reinsured in an amount not to exceed $1,750,000 per claim and $5,000,000 in aggregate per year. For

members requiring specific coverage from $2,000,000 to $15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also

reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Authority does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of the loss can be estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Authority's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contributions which the withdrawing member would have made for the one-year period following withdrawal.

The Authority also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and fidelity bonds. The Authority 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.

(6) Long-Term Debt

On March 30, 1994 Wright County issued $460,000 of general obligation capital loan notes at a rate of 5.75%, that mature on June 1, 2009. The notes are payable in semiannual payments due on the 1st day of June and December. The purpose of the issue is to pay costs of acquiring and constructing works and facilities useful for the collection and disposal of solid waste, including certain landfill closure costs, the acquisition of equipment and machinery, transfer station improvements and composting facilities.

The Authority received the $460,000 of note proceeds from the county and pledged the Authority's revenue for repayment of the notes.

Following is a summary of note principal maturities and interest requirements:

Year Ending June 30,	Principal	Interest	Total
	$	$	$
2005	35,561	11,039	46,600
2006	37,635	8,965	46,600
2007	39,831	6,769	46,600
2008	42,154	4,446	46,600
2009	45,208	1,988	47,196
	200,389	33,207	233,596

During the year ended June 30, 2004, $33,601 of principal and $12,999 of interest were repaid.

In November 1999 the Authority borrowed $100,000 at 6% interest to finance the construction of a building. The loan is payable as follows:

Year Ending June 30,	Principal	Interest	Total
	$	$	$
2005	5,585	86	5,671

During the year ended June 30, 2004, $21,965 of principal and $1,212 of interest were repaid.

The Authority purchased a wheel loader using a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2004.

	Year Ending June 30,	Amount
		$
	2005	11,110
	2006	11,110
	2007	5,555
Minimum lease payments		27,775
Less amount representing interest		1,586
Present value of minimum lease payments		26,189

Lease payments for the year ended June 30, 2004 totaled $11,110.

(7) Contingencies

Closure/Post Closure Considerations

The Authority is contingently liable for approximately 23% of closure/post closure costs of the Rural Iowa Landfill operated by Rural Iowa Waste Management Association. The estimated closure and post closure costs for the Rural Iowa Landfill was $1,293,300. These estimates could change significantly over the landfill's estimated useful life.

Bond Guarantees

The Rural Iowa Waste Management Association issued $830,000 of solid waste revenue bonds on May 1, 1995. The bonds bear interest at 5.3% to 6.65%. The Wright County Landfill Authority is contingently liable for approximately 23% of the principal and interest on these bonds. At June 30, 2004, $570,000 of bonds were outstanding.

(8) Related Parties

The Authority has purchased supplies in the amount of $1,732 from Cayler Auto Supply, which is owned by Jerry Cayler. Jerry Cayler is a board member of the Authority. The Authority also paid the spouse of an employee $450 for cleaning and $100 for assembly of Earth Day materials for local schools.

(9) Accounting Change

For the year ended June 30, 2004, the Authority implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Mnagements's Discussion and Analysis – for State and Local Governments; State 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 Authority.

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

To the Members of the Wright County Landfill Authority:

We have audited the financial statement of Wright County Area Landfill Authority as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004. Our report expressed an unqualified opinion on the financial statements, which were 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 Coade of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wright County Area Landfill Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 noncompliance required to be reported under Government Auditing Standards. Comments relating to compliance are described in Part II of the accompanying Schedule of Findings

Comments involving statutory and other legal matters about the Authority'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 Authority. 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 Wright County Area Landfill Authority'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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation

that we considered 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 judgment, could adversely affect Wright County Area Landfill Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our considerations 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 disclosed all reportable conditions that are also considered to be material weaknesses. However of the reportable conditions described above, we believe items A and B are material weaknesses. 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 customers of Wright County Area Landfill Authority and other parties to whom Wright County Area Landfill Authority 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 Wright County Area Landfill Authority 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

August 20, 2004

Wright County Area Landfill Authority

Schedule of Findings

Year Ended June 30, 2004

Part I: Findings Related to the Financial Statement:

Instances of Noncompliance:

No matters were reportable.

Reportable Conditions:

(A) SEGREGATION OF DUTIES

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an employee from handling duties which are incompatible. We noted that one person was responsible for almost all accounting functions dealing with receipts and another person was responsible for almost all accounting functions dealing with disbursements.

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

Authority Response - We are aware of the lack of segregation of duties. We are compensating for this by requiring two signatures on checks over $1,000 and by reviewing transactions and financial reports at board meetings.

Conclusion - Response accepted.

(B) MILEAGE REIMBURSEMENTS

Comment - The Manager and an employee of Wright County Area Landfill Authority incurred expenses for business use of their personal vehicles on behalf of the Authority. The Manager received reimbursement for both his and the other employee's business use of personal vehicles. Upon receiving a reimbursement check, the Manager obtained cash and reimbursed the other employees in cash. The amount of the mileage reimbursement for the employee totaled $415 for fiscal year 2004. There were no receipts signed by the employee to indicate that cash reimbursement had been received, but during an interview the employee indicated that he had received cash reimbursements.

Recommendation - All reimbursements for mileage, travel or any other Authority expenses should be made by check, directly to the person incurring the expense.

Authority Response - We have revised our current procedures.

Conclusion - Response accepted.

(C) POST OFFICE BOX REIMBURSEMENT

Comment – In December 2003 Wright County Area Landfill Authority wrote a $38 check to the Post Office to pay for post office box rental. In January 2004 the Authority Manager was reimbursed $38 for post office box rental.

Recommendation - The Manager should reimburse the Authority for the $38. To avoid future situations like this one the Authority should develop policies and procedures to reduce the need for postage and supplies reimbursements to employees. When possible all payments should be made directly to the vendor.

Authority Response - The $38 reimbursement was an error and will be repaid. We will review and consider methods to revise our current procedures for expense reimbursements.

Conclusion – Response accepted.

Wright County Area Landfill Authority

Schedule of Findings

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

(1) Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts were not exceeded during the year ended June 30, 2004.

(2) Questionable Disbursements – See Comment A & B in the Schedule of Findings for $453 of questioned disbursements.

As explained in the notes to the financial statements Wright County Area Landfill Authority (WCALA) is a member of the Rural Iowa Waste Management Association (RIWMA). The two entities share a manager with 20% of the manager's time at WCALA and 80% of the manager's time at RIWMA.

The Office of Auditor of State has conducted a special investigation of Rural Iowa Waste Management Association for the period July 1, 1999 to October 15, 2004. The investigation reported $85,735 of improper and unsupported disbursements and $70,403 of questioned costs. A copy of the report is available at the Auditor State of Iowa web site.

Authority Response – Jim Meade, manager, has issued a written document stating that, "I performed the functions of my employment with due diligence and to the best of my abilities and never intentionally engaged in any misconduct or misappropriations". The document also explains Management's side of issues raised by the State Auditor's report. A copy of this document is available from Jim Meade at Wright County Area Landfill Authority.

(3) Travel Expense - No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.

(4) Authority Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.

(5) Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Authority's investment policy were noted.

(6) Solid Waste Tonnage Fees Retained - During the year ended June 30, 2004, the Authority used the solid waste fees distributed to it by Rural Iowa Waste Management Association in accordance with Chapters 455B.310(3) and (4) of the Code of Iowa.

(7) Financial Assurance - Wright County Area Landfill Authority does not operate a landfill. The Authority's landfill was closed prior to the financial assurance requirements.

Wright County Landfill Authority does operate a transfer station. At June 30, 2004 the estimated closing costs for the transfer station are $13,234. The Authority has demonstrated financial assurance for the estimated closing costs by designating a savings account as the closure fund. The June 30, 2004 balance in the savings account is $14,784.

(8) Payroll/Contract Labor – During fiscal year 2004 one employee quit, received his final pay check, then just a few days later was paid $582 for contract labor. This extra labor was an extension of his employment for several days. He should have been paid at the regular pay rate and the payment should have run through the payroll system with the appropriate taxes withheld.

Recommendation – Authority officials should review Internal Revenue Service Publication 15.A for guidance on determining if an individual is an employee or an independent contractor.

Authority Response- We will review the guidelines.

Conclusion – Response accepted.