

**MONONA COUNTY SANITARY LANDFILL AGENCY**

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

**JUNE 30, 2004**

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**Monona County Sanitary Landfill Agency**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Vincent Willey	Chairperson	Monona County
Lewis Hadden	Board Member	Monona County
Edward Henkenius	Board Member	Member Cities
Kenneth Casperson	Board Member	Appointed by the Agency
Robert Wright	Secretary - Treasurer	

**Monona County Sanitary Landfill Agency**

December 1, 2004

Independent Auditors' Report

To the Members of the  
Monona County Sanitary Landfill Agency:

We have audited the accompanying financial statements of Monona County Sanitary Landfill Agency as of and for the year ended June 30, 2004. 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 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, these financial statements are 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 statements referred to above present fairly, in all material respects, the cash basis financial position of Monona County Sanitary Landfill Agency as of and for the year ended 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 8, during the year ended June 30, 2004, Monona County Sanitary Landfill 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 December 1, 2004 on our consideration of Monona County Sanitary Landfill Agency'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 8 through 11 is not a required part of the basic financial statements, 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.

**Monona County Sanitary Landfill Agency**

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

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Monona County Sanitary Landfill Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Monona County Sanitary Landfill Agency 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.

### **2004 FINANCIAL HIGHLIGHTS**

- ◆ The Agency's operating receipts decreased 5%, or approximately \$27,000, from fiscal 2003 to fiscal 2004.
- ◆ The Agency's operating disbursements increased approximately \$13,200, or 3%, from fiscal 2003 to fiscal 2004.
- ◆ The Agency's net assets increased 2%, or approximately \$15,700, from June 30, 2003 to June 30, 2004.

### **USING THIS ANNUAL REPORT**

The Agency 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 for recognizing revenues, expenses and the related assets and liabilities. Under the Agency'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 Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Monona County Sanitary Landfill 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 – Cash Basis presents information on the Agency's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.
- The Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- 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 – Cash Basis*

The Statement of Net Assets – Cash Basis presents the assets and net assets of the Agency at the end of the fiscal year. The Statement of Net Assets – Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Agency to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Agency's financial position by analyzing the increases and decreases in net assets.

Assets and Net Assets		
	June 30,	
	2004	2003
<b>Assets</b>		
Cash & cash equivalents:		
Restricted	\$ 358,964	\$ 345,384
Unrestricted	383,634	381,530
Total assets	<u>\$ 742,598</u>	<u>\$ 726,914</u>
<b>Net assets</b>		
Net assets:		
Restricted	\$ 358,964	\$ 345,384
Unrestricted	383,634	381,530
Total net assets	<u>\$ 742,598</u>	<u>\$ 726,914</u>

Nearly half (48%) of the Agency's net assets are restricted, the majority to be used for closure and postclosure care with the balance of restricted net assets representing waste fees retained. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (52%) are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Also included in unrestricted net assets are board designated funds for fixed asset purchases. Restricted net assets increased \$13,580, or 4%, during the year from interest earned on investments. Unrestricted net assets increased only \$2,104, or 1%, during the year due to decreases in per capita member contributions and purchases of capital equipment from board designated funds.

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

Changes in total net assets as presented on the Statement of Net Assets - Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis. The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency as well as sales of recycled materials. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements represent interest on investments, and fixed asset purchases. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2004 and June 30, 2003 is presented as follows:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2004	2003
Operating receipts:		
Tipping fees and gate charges	\$ 106,745	\$ 106,712
City contributions	261,664	282,520
County contributions	126,614	136,880
Recycling	44,064	38,764
Miscellaneous	1,260	2,432
Total operating receipts	<u>540,347</u>	<u>567,308</u>
Operating disbursements:		
Operator contract:		
Contractual	112,800	112,800
Other services	110,455	103,375
Solid waste contract	163,033	166,553
Monitoring and inspection fees	7,890	4,410
Site maintenance	2,298	-
Site utilities	4,540	4,400
Fuel and oil	2,992	2,933
Legal and accounting	18,258	17,372
Insurance	10,087	8,041
Training and travel	2,850	-
Closure and postclosure care costs	-	538
Recycled materials	18,374	15,418
Repairs and supplies	6,304	8,094
Office expense	5,232	8,126
Miscellaneous	3,929	3,795
Total operating disbursements	<u>469,042</u>	<u>455,855</u>
Excess of operating receipts over operating disbursements	<u>71,305</u>	<u>111,453</u>
Non-operating receipts (disbursements):		
Interest on investments	23,879	34,813
Capital expenditures	<u>(79,500)</u>	<u>(6,000)</u>
Net non-operating receipts (disbursements)	<u>(55,621)</u>	<u>28,813</u>
Increase in net assets – cash basis	15,684	140,266
Net assets – cash basis – beginning of year	<u>726,914</u>	<u>586,648</u>
Net assets – cash basis – end of year	<u>\$ 742,598</u>	<u>\$ 726,914</u>

In fiscal 2004, operating receipts decreased by \$26,961, or 5%. The decrease was due, primarily, to per capita member contributions decreasing by \$31,122 for 2004. In fiscal 2004, operating disbursements increased by \$13,187, or 3%, from fiscal 2003 largely due to increased personnel costs of \$7,080 over 2003. Non-operating income decreased \$84,434 as board designated funds were used for fixed asset purchases of \$79,050 in 2004.

## **ECONOMIC FACTORS**

Monona County Sanitary Landfill Agency continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Agency to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Equipment has been and will be purchased by the Agency. It will be an on going challenge to maintain equipment and technology at a reasonable cost.

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, and customers 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 Monona County Sanitary Landfill Agency, Turin, Iowa.

## **Basic Financial Statements**

Monona County Sanitary Landfill Agency

Statement of Net Assets – Cash Basis

June 30, 2004

**Assets**

Cash & cash equivalents:	
Restricted	\$ 358,964
Unrestricted	<u>383,634</u>
<b>Total assets</b>	<u><u>\$ 742,598</u></u>

**Net assets**

Restricted for:	
Waste fees retained	\$ 16,246
Closure	3,500
Postclosure	<u>339,218</u>
Total restricted net assets	<u>358,964</u>
Unrestricted	<u>383,634</u>
<b>Total net assets</b>	<u><u>\$ 742,598</u></u>

See notes to financial statements.

**Exhibit B**

## Monona County Sanitary Landfill Agency

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

As of and for the year ended June 30, 2004

Operating receipts:	
Tipping fees and gate charges	\$ 106,745
City contributions	261,664
County contributions	126,614
Recycling	44,064
Miscellaneous	<u>1,260</u>
Total operating receipts	<u>540,347</u>
Operating disbursements:	
Operator contract:	
Contractual	112,800
Other services	110,455
Solid waste contract	163,033
Monitoring and inspection fees	7,890
Site maintenance	2,298
Site utilities	4,540
Fuel and oil	2,992
Legal and accounting	18,258
Insurance	10,087
Training and travel	2,850
Recycled materials	18,374
Repairs and supplies	6,304
Office expense	5,232
Miscellaneous	<u>3,929</u>
Total operating disbursements	<u>469,042</u>
Excess of operating receipts over operating disbursements	<u>71,305</u>
Non-operating receipts (disbursements):	
Interest on investments	23,879
Capital expenditures	<u>(79,500)</u>
Net non-operating receipts (disbursements)	<u>(55,621)</u>
Increase in net assets – cash basis	15,684
Net assets – cash basis – beginning of year	<u>726,914</u>
Net assets – cash basis – end of year	<u>\$ 742,598</u>

See notes to financial statements.

Monona County Sanitary Landfill Agency

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

Monona County Sanitary Landfill Agency was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain landfill and recycling facilities in Monona County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of two representatives from the member cities, two representatives from Monona County, and one representative chosen by a majority of the designated representatives. The member cities are: Blencoe, Castana, Hornick, Mapleton, Moorhead, Onawa, Rodney, Soldier, Smithland, Turin, Ute and Whiting.

A. Reporting Entity

For financial reporting purposes, Monona County Sanitary Landfill 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 Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are 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 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

Monona County Sanitary Landfill Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency 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 payables for closure and postclosure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the Agency 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 Net Assets – Cash Basis.

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, have a maturity date no longer than three months.

Restricted Assets and Net Assets – Funds set aside for payment of closure and postclosure care costs and waste fees retained are classified as restricted. Included in unrestricted funds are board designated funds for fixed assets purchases. These designated funds for the year ended June 30, 2004 were \$277,897.

**(2) Cash and Investments**

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

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

**(3) 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 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 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 of 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 cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring 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. These costs for the Monona County Sanitary Landfill Agency have not been approved by the Iowa Department of Natural Resources and remained unrecognized at June 30, 2004. The Agency has not accepted waste subsequent to October 9, 1993 and as such, is not required to demonstrate financial assurance.

#### **(4) Solid Waste Fees Retained**

The Agency has established an account for solid waste fees retained by the Agency in accordance with Chapter 455E.11 (2)(a)(11,13, and 15) of the Code of Iowa.

At June 30, 2004, the amounts retained by the Agency and restricted for the required purposes totaled \$16,246.

#### **(5) Risk Management**

The Agency 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 Agency'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 Agency's annual contributions to the Pool for the year ended June 30, 2004 were \$10,087.

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 Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Agency's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

The Agency also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$5,000. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Operator Contract**

Monona County Sanitary Landfill Agency has entered into an operator contract. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools, and equipment necessary for operation. The Operator was paid \$112,800 for the year ended June 30, 2004 to operate landfill, transfer station, and recycling center. For the year ended June 30, 2004 the Operator was paid \$110,455 for labor costs at the recycling center.

**(7) Solid Waste Hauling Contract**

The Agency entered into a contract on October 25, 2002 effective November 1, 2002 for hauling solid waste. Under this contract the contractor will haul the Agency's solid waste from the Agency's transfer station to the contractor's landfill site at Jackson, Nebraska. During the year ended June 30, 2004 the contractor was paid \$163,033.

**(8) Commitments and Contingencies**

As discussed in the solid waste hauling note above the Agency has entered into a solid waste hauling contract. The Agency is obligated to fulfill the terms of this contract through the expiration date of this contract on December 1, 2012.

The Agency has entered into an operator contract as discussed in the aforementioned operator contract note. Effective July 1, 2004 this contract will expire and the landfill operator's personnel will become employees of the Agency. The Agency has begun purchasing equipment which had been provided by the operator under this contract.

**(9) Subsequent Events**

The Agency has purchased equipment in the amount of \$183,677 which was paid for on July 1, 2004. As discussed in the previous note this equipment needed as the operator contract expired on June 30, 2004.

**(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.

Implementation of these standards had no effect on the beginning balances of the Agency.

**(11) Restatement of Prior Periods**

Cash and cash equivalents and net assets were restated as of June 30, 2003 to properly reflect an additional \$15,671 cash equivalent and the related net asset as restricted for postclosure costs. These funds were previously reported as unrestricted in error.

**Monona County Sanitary Landfill Agency**

**Independent Auditors' Report on Compliance and on  
Internal Control over Financial Reporting**

**Monona County Sanitary Landfill Agency**

December 1, 2004

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

To the Members of the  
Monona County Sanitary Landfill Agency:

We have audited the financial statements of Monona County Sanitary Landfill Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated December 1, 2004. Our report expressed a qualified 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 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

As part of obtaining reasonable assurance about whether Monona County Sanitary Landfill Agency's financial statements are 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 Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monona County Sanitary Landfill 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 judgment, could adversely affect Monona County Sanitary Landfill 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 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 in amounts that would be material 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 in our schedule of findings, we believe item (A), is a 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 Monona County Sanitary Landfill 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 Monona County Sanitary Landfill 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.

Monona County Sanitary Landfill Agency

Schedule of Findings

Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – During our review of internal controls, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Agency's financial statements. Generally, one individual has control over receipts and disbursements, including account billings, collecting, depositing, posting, check signing and reconciling, for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Currently, all expenditures are reviewed by the board members and then signed. The Agency will analyze other procedures and personnel to determine the feasibility of additional control.

Conclusion – Response accepted.

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

- (1) Official Depositories – A resolution naming official depositories has been approved by the Agency. 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 Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (4) Agency Minutes – No transactions were found that we believe should have been approved in the Agency 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 Agency's investment policy were noted.

Monona County Sanitary Landfill Agency

Schedule of Findings

Year ended June 30, 2004

- (6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2004, the Agency used or retained the solid waste fees in accordance with Chapters 455B.310(2) of the Code of Iowa.
- (7) Financial Assurance – The Agency has not accepted waste subsequent to October 9, 1993 and as such, is not required to demonstrate financial assurance.

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Monona County Sanitary Landfill Agency

Staff

This audit was performed by:

Steven B. Pearson, CPA, Manager

Marilyn Schroer, CPA, Shareholder