

CASS COUNTY ENVIRONMENTAL CONTROL AGENCY  
INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

Cass County Environmental Control Agency

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Cass County Environmental Control Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Russell Joyce	Chairperson	Cass County
Raymond Zellmer	Vice Chairperson	City of Wiota
Dave Meyer	Member	City of Cumberland
Kenneth Waters	Member	Cass County
Dave Wheatley	Member	City of Atlantic
C.R. Polkingharn	Member	City of Marne
John Rueb	Member	City of Atlantic
Bill Brenton	Member	City of Anita
* Not filled	Member	City of Griswold
Kim Wood	Member	City of Massena
Jerry Hudson	Member	City of Lewis
Wendy Wittrock	Manager, Secretary-Treasurer	

\* City of Griswold Member position was not filled in 2004.

# Gronewold, Bell, Kyhnn & Co. P.C.

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KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Cass County  
Environmental Control Agency

We have audited the accompanying financial statements of Cass County Environmental Control 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 auditing standards generally accepted in the United States of America, 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 statements presentation. We believe that our audit provides 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 Cass County Environmental Control Agency at June 30, 2004 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Organization has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

To the Members of the Cass County  
Environmental Control Agency

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2005 on our consideration of the Cass County Environmental Control 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.

Granowald, Bell, Kyhn & Co. P.C.

Atlantic, Iowa  
May 10, 2005

Cass County Environmental Control Agency

Statement of Net Assets

June 30, 2004

Assets

Current assets:

Cash	\$ 153,096
Cash held in escrow by Cass County	10,034
Accounts receivable	81,516
Prepaid insurance	<u>12,485</u>
Total current assets	257,131

Restricted assets:

Cash and investments	231,127
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Capital assets

Non-depreciable capital assets	680,000
Depreciable capital assets, net	<u>1,144,881</u>
	<u>1,824,881</u>

Total assets \$ 2,313,139

See notes to financial statements.

## Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 3,077
Salaries and benefits payable	1,699
Due to other governments	3,884
Compensated absences	10,252
Current maturities of capital lease	12,342
Current maturities of note payable	<u>63,747</u>
Total current liabilities	95,001
Non-current liabilities:	
Capital lease, less current maturities	41,533
Note payable, less current maturities	540,929
Estimated liability for landfill closure and postclosure care costs	<u>703,185</u>
Total non-current liabilities	<u>1,285,647</u>
Total liabilities	1,380,648
Net Assets (Liabilities):	
Invested in capital assets, net of related debt	1,166,330
Restricted for:	
Tonnage fees retained	12,582
Closure and postclosure care	231,127
Unrestricted	<u>( 477,548)</u>
Total net assets	<u>932,491</u>
Total liabilities and net assets	<u>\$ 2,313,139</u>

Cass County Environmental Control Agency  
 Combined Statement of Revenues, Expenses and Changes in Net Assets  
 Year ended June 30, 2004

Operating revenues:	
Solid waste fees	\$ 559,570
Recyclables	66,344
Reimbursements	<u>9,582</u>
Total operating revenues	635,496
Operating expenses:	
Administration	49,273
Engineering	15,586
Recycling expenses	88,063
Cover, compacting and scale expenses	120,117
Equipment	51,165
Mandated changes	1,165
Buildings and grounds	108,857
Closure and postclosure care costs	18,835
Tonnage fees to Iowa Department of Natural Resources	21,032
Employee benefits	<u>13,389</u>
Total operating expenses	<u>487,482</u>
Operating income	148,014
Non-operating revenues (expenses):	
Interest income	4,745
Interest expense	( 39,094)
Gain on sale of assets	<u>8,601</u>
Non-operating revenues, net	<u>( 25,748)</u>
Change in net assets	122,266
Net assets beginning of year	<u>810,225</u>
Net assets end of year	<u><u>\$ 932,491</u></u>

See notes to financial statements.

## Cass County Environmental Control Agency

## Combined Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from solid waste fees	\$ 556,732
Cash received from recyclables	66,344
Cash received from reimbursements	9,582
Cash payments to suppliers for goods and services	( 259,789)
Cash payments to employees for services	<u>( 116,237)</u>
Net cash provided by operating activities	256,632
Cash flows from capital and related financing activities:	
Purchase of fixed assets	( 41,743)
Principal payments on capital leases	( 53,590)
Interest payment on capital leases	( 1,284)
Principal payments on note payable	( 60,191)
Interest payment on note payable	( 35,810)
Fee paid on line of credit	( 2,000)
Cash received from sale of equipment	<u>8,601</u>
Net cash used in capital and related financing activities	( 186,017)
Cash flows from investing activities:	
Interest received	<u>4,745</u>
Net increase in cash and cash equivalents	75,360
Cash and cash equivalents at beginning of year	<u>263,507</u>
Cash and cash equivalents at end of year	<u>\$ 338,867</u>
Reconciliation of cash and cash equivalents to the statement of net assets:	
Cash in current assets	\$ 153,096
Cash held in escrow in current assets	10,034
Cash and cash equivalents in restricted assets	<u>175,737</u>
Total cash and cash equivalents	<u>\$ 338,867</u>

(continued next page)

Cass County Environmental Control Agency  
 Combined Statement of Cash Flows - Continued  
 Year ended June 30, 2004

Reconciliation of operating income to	
net cash provided by operating activities:	
Operating income	\$ 148,014
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	95,353
Changes in assets and liabilities:	
Increase in accounts receivable	( 2,838)
Decrease in prepaid items	2,606
Decrease in accounts payable	( 8,516)
Decrease in salaries and benefits payable	( 172)
Increase in due to other governments	26
Increase in compensated absences	3,324
Increase in estimated liability for landfill	
closure and postclosure care costs	<u>18,835</u>
Total adjustments	<u>108,618</u>
Net cash provided by operating activities	<u>\$ 256,632</u>

See notes to financial statements.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cass County Environmental Control Agency was formed in 1971 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to operate the sanitary landfill in Cass County for use by all residents of the County.

The Agency is composed of one representative from each of the eight member cities, except that the City of Atlantic appoints one additional representative and two representatives from Cass County. The member cities are: Anita, Atlantic, Cumberland, Griswold, Lewis, Massena, Marne and Wiota. The representative of a city is appointed by the political subdivision to be represented. Each member shall be entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent Federal Census.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Cass County Environmental Control 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 Cass County Environmental Control Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Cass County Environmental Control Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are 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.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources 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 connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets

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

Cash, Investments, and 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. There were no cash investments meeting the definition of cash equivalents at June 30, 2004.

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

Accounts Receivable - Accounts receivable represent amounts that are due and payable from customers but have not been collected at June 30. Management of the Agency believes the receivables will be realized without material collection losses; therefore, no allowance for uncollectible accounts exists.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The cost of repairs 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.

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 compensated absences liability has been computed based on rates of pay in effect at June 30, 2004.

NOTE 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 depositories to ensure 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.

In addition, the Agency had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$164,755 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 3 - PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual 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 \$7,216, \$8,001, and \$7,364, respectively, equal to the required contributions for each year.

NOTE 4 - CAPITAL ASSETS

A summary of capital assets at June 30, 2004 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land	\$ 680,000	\$ --	\$ --	\$ 680,000
Capital assets being depreciation:				
Buildings	542,028	--	--	542,028
Equipment and vehicles	<u>756,227</u>	<u>106,480</u>	<u>( 1,800)</u>	<u>860,907</u>
Total capital assets being depreciated	<u>1,298,255</u>	<u>106,480</u>	<u>( 1,800)</u>	<u>1,402,935</u>
Less accumulated depreciation for:				
Buildings	17,278	19,421	--	36,699
Equipment and vehicles	<u>147,223</u>	<u>75,932</u>	<u>( 1,800)</u>	<u>221,355</u>
Total accumulated depreciation	<u>164,501</u>	<u>95,353</u>	<u>( 1,800)</u>	<u>258,054</u>
Total capital assets being depreciated, net	<u>1,133,754</u>	<u>11,127</u>	<u>--</u>	<u>1,144,881</u>
Total capital assets, net	<u>\$ 1,813,754</u>	<u>\$ 11,127</u>	<u>\$ --</u>	<u>\$ 1,824,881</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 4 - CAPITAL ASSETS - Continued

Equipment costing \$64,737 was purchased under capital lease agreements. Accumulated depreciation on this equipment totals \$7,418, including \$7,418 of depreciation for the year ended June 30, 2004.

NOTE 5 - NON-CURRENT LIABILITIES

A schedule of changes in the Agency's non-current liabilities for the year ended June 30, 2004 follows:

	<u>Balance 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2004</u>	<u>Current Portion</u>
Note Payable	\$ 664,867	\$ --	\$ 60,191	\$ 604,676	\$ 63,747
Capital Lease Obligations	42,728	64,737	53,590	53,875	12,342
Estimated Liability for Landfill Closure and Postclosure Care Costs	<u>684,350</u>	<u>18,835</u>	<u>--</u>	<u>703,185</u>	<u>--</u>
Total Non-Current Liabilities	<u>\$1,391,945</u>	<u>\$ 83,572</u>	<u>\$ 113,781</u>	<u>\$1,361,736</u>	<u>\$ 76,089</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 6 - CAPITAL LEASES

The Agency entered into a capital lease agreement on July 17, 2003 for a tractor and loader. The agreement is for a period of 60 months at an interest rate of 4.25%. The book value of the leased equipment as of June 30, 2004 is \$57,319. The following is a schedule by year of future minimum lease payments and present value of net minimum lease payments:

Year Ending June 30,	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2005	\$ 12,342	\$ 2,051	\$ 14,393
2006	12,877	1,516	14,393
2007	13,434	959	14,393
2008	14,023	370	14,393
2009	<u>1,199</u>	<u>--</u>	<u>1,199</u>
Totals	<u>\$ 53,875</u>	<u>\$ 4,896</u>	<u>\$ 58,771</u>

Payments under these agreements for the year ended June 30, 2004 totaled \$54,874.

NOTE 7 - NOTE PAYABLE

The Cass County Environmental Control Agency entered into a mortgage note payable with a local bank to finance a balefill project completed during the year ended June 30, 2003. The note requires monthly payments of \$8,000, including interest at 5.6%, and matures with a balloon payment due on December 4, 2005. During the year ended June 30, 2004, \$96,000 was paid on the note. The balance due at June 30, 2004 was \$604,676. Scheduled principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 63,747	\$ 32,253	\$ 96,000
2006	<u>540,929</u>	<u>12,443</u>	<u>553,372</u>
	<u>\$ 604,676</u>	<u>\$ 44,696</u>	<u>\$ 649,372</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

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 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 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.

These costs for the Agency have been estimated at \$492,424 for closure and \$452,957 for postclosure, for a total of \$945,381 as of June 30, 2004, and the portion of the liability that has been recognized is \$703,185. 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 33 years and the capacity used at June 30, 2004 is 74 percent.

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 accumulating resources to fund these costs and, at June 30, 2004, assets of \$231,127 are restricted for these purposes, of which \$120,388 is for closure and \$110,739 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement 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.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 8 - CLOSURE AND POSTCLOSURE CARE COSTS - Continued

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.

As of June 30, 2004, the unspent amounts retained by the Agency and restricted for the required purposes totaled \$12,582.

NOTE 10 - RISK MANAGEMENT

The Cass County Environmental Control Agency is a member of 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 whose 361 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' 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.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 10 - RISK MANAGEMENT - Continued

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 expenses 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 \$17,213.

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 \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks 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 that 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 company 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. 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.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2004

NOTE 10 - RISK MANAGEMENT - Continued

The Agency also carries commercial insurance purchased from other insurers for coverage associated with Workers' Compensation, Liability and Crime. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 - CONTINGENCY

Line of Credit

The Agency entered into a line of credit agreement in the amount of \$1,000,000 bearing an interest rate of 5%, due January 1, 2007. The primary purpose of the line of credit is to show the Agency can demonstrate financial assurance for closure and postclosure care costs. As of June 30, 2004, the outstanding balance of the line of credit was \$ - 0 -.

NOTE 12 - NON-CASH TRANSACTIONS

The cash transactions of the Agency are presented on the statement of cash flows. The Agency also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of operating income to net cash provided by operating activities:

Purchase of equipment through capital leases	\$	64,737
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NOTE 13 - ACCOUNTING CHANGE

For the year ended June 30, 2004, the Agency implemented Government 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 statements had no effect on the beginning balances of the Agency.

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**SUPPLEMENTAL INFORMATION**

Cass County Environmental Control Agency

Combining Statements of Net Assets

June 30, 2004

	<u>Operations</u>	<u>Planning</u>
Assets		
Current assets:		
Cash	\$ 153,096	\$ --
Cash held in escrow by Cass County	--	5,024
Accounts receivable	81,516	--
Due from other funds	--	879
Prepaid insurance	<u>12,485</u>	<u>--</u>
Total current assets	247,097	5,903
Restricted assets:		
Cash and investments	--	--
Capital assets:		
Non-depreciable capital assets	680,000	--
Depreciable capital assets, net	<u>1,144,881</u>	<u>--</u>
	<u>1,824,881</u>	<u>--</u>
Total assets	<u>\$ 2,071,978</u>	<u>\$ 5,903</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 3,077	\$ --
Salaries and benefits payable	1,699	--
Due to other funds	2,548	--
Due to other governments	3,884	--
Compensated absences	10,252	--
Current maturities of capital lease	12,342	--
Current maturities of note payable	<u>63,747</u>	<u>--</u>
Total current liabilities	97,549	--
Non-current liabilities:		
Capital lease, less current maturities	41,533	--
Note payable, less current maturities	540,929	--
Estimated liability for landfill closure and postclosure care costs	<u>703,185</u>	<u>--</u>
Total non-current liabilities	<u>1,285,647</u>	<u>--</u>
Total liabilities	1,383,196	--

(continued next page)

<u>Recycling</u>	<u>Equipment</u>	<u>Closure and Postclosure</u>	<u>Eliminations</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ --	\$ 153,096
5,010	--	--	--	10,034
--	--	--	--	81,516
1,669	--	--	( 2,548)	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>12,485</u>
6,679	--	--	( 2,548)	257,131
--	--	231,127	--	231,127
--	--	--	--	680,000
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,144,881</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,824,881</u>
<u>\$ 6,679</u>	<u>\$ --</u>	<u>\$ 231,127</u>	<u>\$( 2,548)</u>	<u>\$ 2,313,139</u>
\$ --	\$ --	\$ --	\$ --	\$ 3,077
--	--	--	--	1,699
--	--	--	( 2,548)	--
--	--	--	--	3,884
--	--	--	--	10,252
--	--	--	--	12,342
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>63,747</u>
--	--	--	( 2,548)	95,001
--	--	--	--	41,533
--	--	--	--	540,929
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>703,185</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,285,647</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>( 2,548)</u>	<u>1,380,648</u>

Cass County Environmental Control Agency  
 Combining Statements of Net Assets - Continued

June 30, 2004

	<u>Operations</u>	<u>Planning</u>
Net assets (liabilities):		
Invested in capital assets, net of related debt	\$ 1,166,330	\$ --
Reserved for:		
Tonnage fees retained	--	5,903
Closure and postclosure care	--	--
Unreserved	( 477,548)	--
Total net assets	688,782	5,903
Total liabilities and net assets	\$ 2,071,978	\$ 5,903

See accompanying independent auditor's report.

<u>Recycling</u>	<u>Equipment</u>	<u>Closure and Postclosure</u>	<u>Eliminations</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ --	\$ 1,166,330
6,679	--	--	--	12,582
--	--	231,127	--	231,127
--	--	--	--	( 477,548)
<u>6,679</u>	<u>--</u>	<u>231,127</u>	<u>--</u>	<u>932,491</u>
<u>\$ 6,679</u>	<u>\$ --</u>	<u>\$ 231,127</u>	<u>\$( 2,548)</u>	<u>\$ 2,313,139</u>

Cass County Environmental Control Agency  
Combining Statements of Revenues, Expenses and Changes in Net Assets  
Year ended June 30, 2004

	<u>Operations</u>	<u>Planning</u>
Operating revenues:		
Solid waste fees	\$ 559,570	\$ --
Recyclables	66,344	--
Reimbursements	9,582	--
Total operating revenues	635,496	--
Operating expenses:		
Administration	49,273	--
Engineering	15,586	--
Recycling expenses	78,876	--
Cover, compacting and scale expenses	120,117	--
Equipment	51,165	--
Mandated changes	1,165	--
Buildings and grounds	108,853	--
Closure and postclosure costs	18,835	--
Tonnage fees to Iowa Department of Natural Resources	21,032	--
Employee benefits	13,389	--
Total operating expenses	478,291	--
Operating income (loss)	157,205	--
Non-operating revenues (expenses):		
Interest income	356	--
Interest expense	( 39,094)	--
Gain on sale of assets	8,601	--
Non-operating revenues (expenses), net	( 30,137)	--
Net income (loss) before operating transfers	127,068	--

(continued next page)

<u>Recycling</u>	<u>Equipment</u>	<u>Closure and Postclosure</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 559,570
--	--	--	66,344
--	--	--	9,582
<u>--</u>	<u>--</u>	<u>--</u>	<u>635,496</u>
--	--	--	49,273
--	--	--	15,586
9,187	--	--	88,063
--	--	--	120,117
--	--	--	51,165
--	--	--	1,165
--	4	--	108,857
--	--	--	18,835
--	--	--	21,032
--	--	--	13,389
<u>9,187</u>	<u>4</u>	<u>--</u>	<u>487,482</u>
( 9,187)	( 4)	--	148,014
--	39	4,350	4,745
--	--	--	( 39,094)
--	--	--	8,601
<u>--</u>	<u>39</u>	<u>4,350</u>	<u>( 25,748)</u>
( 9,187)	35	4,350	122,266

Cass County Environmental Control Agency

Combining Statements of Revenues, Expenses and Changes in Net Assets - Continued

Year ended June 30, 2004

	<u>Operations</u>	<u>Planning</u>
Operating transfers in (out):		
Operations Fund	\$       --	\$       3,306
Planning Fund	(       3,306)	--
Recycling Fund	(       6,281)	--
Equipment Fund	23,922	--
Closure and Postclosure Fund	(      19,500)	--
Operating transfers in (out), net	<u>(       5,165)</u>	<u>3,306</u>
Change in net assets	121,903	3,306
Net assets beginning of year	<u>566,879</u>	<u>2,597</u>
Net assets end of year	<u>\$   688,782</u>	<u>\$     5,903</u>

See accompanying independent auditor's report.

<u>Recycling</u>	<u>Equipment</u>	<u>Closure and Postclosure</u>	<u>Total</u>
\$ 6,281	\$( 23,922)	\$ 19,500	\$ 5,165
--	--	--	( 3,306)
--	--	--	( 6,281)
--	--	--	23,922
--	--	--	( 19,500)
<u>6,281</u>	<u>( 23,922)</u>	<u>19,500</u>	<u>--</u>
( 2,906)	( 23,887)	23,850	122,266
<u>9,585</u>	<u>23,887</u>	<u>207,277</u>	<u>810,225</u>
<u>\$ 6,679</u>	<u>\$ --</u>	<u>\$ 231,127</u>	<u>\$ 932,491</u>

Cass County Environmental Control Agency

Combining Statements of Cash Flows

Year ended June 30, 2004

	<u>Operations</u>	<u>Planning</u>
Cash flows from operating activities:		
Cash received from solid waste fees	\$ 556,732	\$ --
Cash received from recyclables	66,344	--
Cash received from reimbursements	9,582	--
Cash payments to suppliers for goods and services	( 250,598)	--
Cash payments to employees for services	<u>( 116,237)</u>	<u>--</u>
Net cash provided by (used in) operating activities	265,823	--
Cash flows from non-capital financing activities:		
Transfers from other funds	23,922	3,304
Transfers to other funds	<u>( 29,082)</u>	<u>--</u>
Net cash provided by (used in) non-capital financing activities	( 5,160)	3,304
Cash flows from capital and related financing activities:		
Purchase of fixed assets	( 41,743)	--
Principal payments on capital leases	( 53,590)	--
Interest payment on capital leases	( 1,284)	--
Principal payments on note payable	( 60,191)	--
Interest payment on note payable	( 35,810)	--
Fee paid on line of credit	( 2,000)	--
Cash received from sale of equipment	<u>8,601</u>	<u>--</u>
Net cash used in capital and related financing activities	( 186,017)	--
Cash flows from investing activities:		
Interest received	<u>356</u>	<u>--</u>
Net increase (decrease) in cash and cash equivalents	75,002	3,304
Cash and cash equivalents at beginning of year	<u>78,094</u>	<u>1,720</u>
Cash and cash equivalents at end of year	<u>\$ 153,096</u>	<u>\$ 5,024</u>

(continued next page)

<u>Recycling</u>	<u>Equipment</u>	<u>Closure and Postclosure</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 556,732
--	--	--	66,344
--	--	--	9,582
( 9,187)	( 4)	--	( 259,789)
<u>--</u>	<u>--</u>	<u>--</u>	<u>( 116,237)</u>
( 9,187)	( 4)	--	256,632
6,278	--	19,500	53,004
<u>--</u>	<u>( 23,922)</u>	<u>--</u>	<u>( 53,004)</u>
6,278	( 23,922)	19,500	--
--	--	--	( 41,743)
--	--	--	( 53,590)
--	--	--	( 1,284)
--	--	--	( 60,191)
--	--	--	( 35,810)
--	--	--	( 2,000)
<u>--</u>	<u>--</u>	<u>--</u>	<u>8,601</u>
--	--	--	( 186,017)
<u>--</u>	<u>39</u>	<u>4,350</u>	<u>4,745</u>
( 2,909)	( 23,887)	23,850	75,360
<u>7,919</u>	<u>23,887</u>	<u>151,887</u>	<u>263,507</u>
<u>\$ 5,010</u>	<u>\$ --</u>	<u>\$ 175,737</u>	<u>\$ 338,867</u>

Cass County Environmental Control Agency  
Combining Statements of Cash Flows - Continued  
Year ended June 30, 2004

	<u>Operations</u>	<u>Planning</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 157,205	\$ --
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	95,353	--
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	( 2,838)	--
(Increase) decrease in prepaid items	2,606	--
Increase (decrease) in accounts payable, trade	( 8,516)	--
Increase (decrease) in salaries and benefits payable	( 172)	--
Increase (decrease) in due to other governments	26	--
Increase (decrease) in compensated absences	3,324	--
Increase (decrease) in estimated liability for landfill closure and postclosure care costs	<u>18,835</u>	<u>--</u>
Total adjustments	<u>108,618</u>	<u>--</u>
Net cash provided by (used in) operating activities	<u>\$ 265,823</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Recycling</u>	<u>Equipment</u>	<u>Closure and Postclosure</u>	<u>Total</u>
\$( 9,187)	\$( 4)	\$ --	\$ 148,014
--	--	--	95,353
--	--	--	( 2,838)
--	--	--	2,606
--	--	--	( 8,516)
--	--	--	( 172)
--	--	--	26
--	--	--	3,324
<u>--</u>	<u>--</u>	<u>--</u>	<u>18,835</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>108,618</u>
<u>\$( 9,187)</u>	<u>\$( 4)</u>	<u>\$ --</u>	<u>\$ 256,632</u>

# Gronewold, Bell, Kyhnn & Co. P.C.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Members of the Cass County  
Environmental Control Agency  
Atlantic, Iowa

We have audited the financial statements of the Cass County Environmental Control Agency for the year ended June 30, 2004, and have issued our report thereon dated May 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Cass County Environmental Control 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. However, we noted immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 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. The prior year statutory comments have been resolved.

To the Members of the Cass County  
Environmental Control Agency

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cass County Environmental Control 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 Cass County Environmental Control Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as item 04-I-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 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 the Schedule of Findings, we believe item 04-I-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the members and constituents of the Cass County Environmental Control 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.

*Granewold, Bell, Kyhn & Co. P.C.*

Atlantic, Iowa  
May 10, 2005

Cass County Environmental Control Agency

Schedule of Findings

Year ended June 30, 2004

PART I - REPORTABLE CONDITIONS

04-I-A Segregation of Duties: A limited number of people have the primary responsibility for many of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Agency.

Recommendation: We recognize that it may not be economically feasible for the Agency to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Agency to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

\* \* \*

PART II - REQUIRED STATUTORY REPORTING

04-II-A Official Depositories: A resolution naming official depositories has been adopted by the Agency. During the audit, no deposits in excess of the limits were noted.

04-II-B Questionable Expenses: No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

04-II-C Travel Expense: No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

04-II-D Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

04-II-E 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.

04-II-F Solid Waste Fees Retained: 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.

Cass County Environmental Control Agency

Schedule of Findings

Year ended June 30, 2004

PART II - REQUIRED STATUTORY REPORTING - Continued

04-II-G Financial Assurance: The Agency has demonstrated financial assurance for closure and postclosure care costs as required by Chapter 11.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 945,381
Less: Balance of funds held in the local dedicated fund at June 30, 2003	( <u>207,277</u> )
	738,104
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	184,526
Balance of funds held in the local dedicated fund at June 30, 2003	<u>207,277</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2004	<u>\$ 391,803</u>
Amount Agency has restricted and reserved for closure and postclosure care, including an available line of credit of \$1,000,000, at June 30, 2004	<u>\$ 1,231,127</u>

\* \* \*