

**South Central Iowa Landfill Agency**

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**Financial Statements and Required Supplementary Information  
(With Independent Auditor's Reports Thereon)  
June 30, 2004 and 2003**

SOUTH CENTRAL IOWA LANDFILL AGENCY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Tim Zisoff	Chairperson	City of Indianola
Mark Nitchals	Vice Chairperson	City of Winterset
Pete Berry	Board member	City of Indianola
Roy Seymour	Board member	Warren County
Bob Weeks	Board member	Madison County

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
South Central Iowa Landfill Agency

We have audited the accompanying financial statements of South Central Iowa Landfill Agency as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our 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 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Iowa Landfill Agency as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2004 on our consideration of the 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 4 through 6 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.

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

October 21, 2004

SOUTH CENTRAL IOWA LANDFILL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

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

**FINANCIAL HIGHLIGHTS**

- The Agency's operating revenues decreased 0.9%, or \$8,284 from fiscal 2003 to fiscal 2004 due to a decrease in gate fees.
- The Agency's operating expenses were 3.9%, or \$15,755, less in fiscal 2004 than in fiscal 2003.
- The Agency's net assets increased \$78,095 from June 30, 2003 to June 30, 2004.

**USING THIS ANNUAL REPORT**

The South Central Iowa Landfill Agency is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to South Central Iowa 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 presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

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

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

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

## SOUTH CENTRAL IOWA LANDFILL AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2004

#### **FINANCIAL ANALYSIS OF THE AGENCY**

##### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal 2004 totaled approximately \$3,263,000. This compares to net assets of approximately \$3,181,000 for fiscal 2003.

\$1,067,276 of the Agency's net assets is the restricted for closure and postclosure care. 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 invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net asset are resources allocated to capital assets. The remaining net assets are the unrestricted net assets that can be used to meet the Agency's obligations as they come due.

##### *Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for gate fees from accepting solid waste. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

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

In fiscal 2004, operating revenues decreased by \$8,284, or 0.9% as a result of gate fees decreasing due to a decrease in the volume of collections. Operating expenses increased by \$191,061, or 27.5%. The increase was primarily a result of increases in accrued closure and postclosure care expense of approximately \$130,000 and engineering expenses of approximately \$54,500.

##### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes cash deposited to restricted accounts and interest income.

#### **CAPITAL ASSETS**

At June 30, 2004, the Association had approximately \$922,300 invested in capital assets, net of accumulated depreciation of approximately \$978,600. Depreciation charges totaled \$188,081 for fiscal 2004. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2004

**LONG-TERM DEBT**

At June 30, 2004, the Agency had \$785,700 in debt outstanding, an increase of \$162,020 from 2003. The table below summarized outstanding debt by type.

	June 30,	
	2004	2003
Closure and postclosure care cost	<u>\$ 785,700</u>	<u>623,680</u>

Additional information about the Agency's long-term debt is presented in Notes 4 and 5 to the financial statements.

**ECONOMIC FACTORS**

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

- Facilities at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

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

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact South Central Iowa Landfill Agency, 2496 Highway 92, Winterset, IA 50273.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
 Statements of Net Assets  
 June 30, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
Current Assets		
Cash and short-term investments	\$ 619,860	424,220
Investments, including certificates of deposit of \$466,037 (2003 - \$605,480)	566,037	705,480
Accounts receivable	95,427	111,590
Accrued interest receivable	13,392	19,254
Prepaid insurance	<u>5,615</u>	<u>3,887</u>
Total current assets	<u>1,300,331</u>	<u>1,264,431</u>
 Restricted assets		
Certificates of deposit	<u>1,852,976</u>	<u>1,615,297</u>
 Capital assets		
Land and improvements	400,388	316,500
Buildings and improvements	528,730	528,730
Equipment	<u>971,725</u>	<u>971,725</u>
	1,900,843	1,816,955
Less accumulated depreciation and amortization	<u>978,558</u>	<u>860,477</u>
	<u>922,285</u>	<u>956,478</u>
	<u><u>\$ 4,075,592</u></u>	<u><u>3,836,206</u></u>
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 23,545	28,736
Accrued wages and benefits payable	<u>2,967</u>	<u>2,075</u>
Total current liabilities	<u>26,512</u>	<u>30,811</u>
 Accrued closure and postclosure care expenses	<u>785,700</u>	<u>623,680</u>
 NET ASSETS		
Invested in capital assets	922,285	956,478
Restricted for		
Closure	210,322	265,402
Postclosure care	856,954	726,215
Unrestricted	<u>1,273,819</u>	<u>1,233,620</u>
	<u>3,263,380</u>	<u>3,181,715</u>
	<u><u>\$ 4,075,592</u></u>	<u><u>\$ 3,836,206</u></u>

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
 Statements of Revenues, Expenses, and Changes in Net Assets  
 Years Ended June 30, 2004 and 2003

	2004	2003
Operating Revenues		
Gate fees	\$ 892,700	900,984
Operating Expenses		
Personnel	175,760	178,427
Equipment operation and property maintenance	248,651	220,669
Depreciation and amortization	118,081	139,585
Engineering	69,632	15,074
Tonnage fees	83,030	82,259
Closure and postclosure care	162,020	32,100
Office and general	28,593	26,592
Total operating expenses	885,767	694,706
Operating income	6,933	206,278
Nonoperating Revenues		
Interest income	74,732	90,357
Increase in net assets	81,665	296,635
Net assets, beginning of year	3,181,715	2,885,080
Net assets, end of year	\$ 3,263,380	3,181,715

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Statements of Cash Flows

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Cash received from gate fees	\$ 902,342	899,659
Cash paid to suppliers for goods and services	(467,614)	(380,377)
Cash paid to employees for services	<u>(137,558)</u>	<u>(141,384)</u>
Net cash provided by operating activities	<u>297,170</u>	<u>377,898</u>
 Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(83,888)</u>	<u>(495,831)</u>
Net cash used by capital and related financing activities	<u>(83,888)</u>	<u>(495,831)</u>
 Cash flows from investing activities		
Purchases of investments	(198,236)	(158,982)
Maturities of investments	100,000	-
Interest income received	<u>80,594</u>	<u>88,786</u>
Net cash used by investing activities	<u>(17,642)</u>	<u>(70,196)</u>
 Net increase (decrease) in cash and short-term investments	195,640	(188,129)
Cash and short-term investments, beginning of year	<u>424,220</u>	<u>612,349</u>
 Cash and short-term investments, end of year	<u>\$ 619,860</u>	<u>424,220</u>
 Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 6,933	206,278
Adjustments		
Depreciation and amortization expense	118,081	139,585
(Increase) decrease in accounts receivable	16,163	(1,325)
(Increase) decrease in prepaid insurance	(1,728)	(693)
Increase (decrease) in accounts payable	(5,191)	1,672
Increase (decrease) in accrued wages and benefits payable	892	281
Increase in accrued closure and postclosure care expenses	<u>162,020</u>	<u>32,100</u>
Net cash provided by operating activities	<u>\$ 297,170</u>	<u>377,898</u>

See accompanying notes to financial statements.

# SOUTH CENTRAL IOWA LANDFILL AGENCY

## Notes to Financial Statements

June 30, 2004 and 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Central Iowa Landfill Agency (the "Agency") was formed in 1980 by the City of Winterset, Iowa, Madison County, Iowa and the City of Indianola, Iowa pursuant to the powers granted by Chapters 28E and 28F of the Code of Iowa of 1979, as amended. The entities forming the Agency made initial capital contributions and sold general obligation bonds to finance the Agency. The Agency subsequently repaid the bonds in full and agreed to return the capital contributions. The purpose of the Agency is to operate, manage, maintain, and control the solid waste disposal facilities for solid waste produced and generated within Madison County, and the cities of Winterset and Indianola, Iowa.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and two individuals selected by the representatives of the other participating governments.

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 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. South Central Iowa Landfill 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) 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.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2004 and 2003

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 applied 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.

- C. Assets, Liabilities and Net Investments – 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, have a maturity date no longer than three months. At June 30, 2004 the Agency had no cash investments not meeting the definition of cash equivalents.

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

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Investments (Continued) –Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land and improvements	\$ 25,000
Buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Land and improvements	10 - 50
Buildings and improvements	10 - 40
Equipment and vehicles	5 - 10

2. CASH AND INVESTMENTS

The Agency's deposits 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 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 Board of Directors; 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.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2004 and 2003

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 \$6,841, 7,001, and \$6,450 respectively, equal to the required contributions for each year.

Effective July 1, 2000 the Agency established a deferred compensation plan covering all full-time employees. The plan provides the Agency will match up to \$30 per month of eligible employee contributions. Agency contributions to the plan for the year ended June 30, 2004 were \$780 (2003 - \$780).

4. CAPITAL ASSETS

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

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets being depreciated:				
Land and improvements	\$ 316,500	83,888	-	400,388
Buildings and improvements	528,730	-	-	528,730
Equipment	<u>971,725</u>	<u>-</u>	<u>-</u>	<u>971,725</u>
Total capital assets being depreciated	<u>1,816,955</u>	<u>83,888</u>	<u>-</u>	<u>1,900,843</u>
Less accumulated depreciation for:				
Land and improvements	69,630	6,330	-	75,960
Buildings and improvements	127,599	23,603	-	151,202
Equipment	<u>663,248</u>	<u>88,148</u>	<u>-</u>	<u>751,396</u>
Total accumulated depreciation	<u>860,477</u>	<u>118,081</u>	<u>-</u>	<u>978,558</u>
Total capital assets, net	<u>\$ 956,478</u>	<u>(34,193)</u>	<u>-</u>	<u>922,285</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2004 and 2003

5. CLOSURE AND POSTCLOSURE CARE COSTS

To comply with Federal and State regulations, the Agency is required to complete a monitoring system plan and 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.

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

The total costs for the Agency have been estimated at \$358,211 for closure and \$1,490,407 for postclosure care for a total of \$1,848,618 as of June 30, 2004 and the portion of the liability that has been recognized is \$785,700. This liability represents the cumulative amount reported to date based on the use of approximately 42 percent of the capacity of the landfill with a remaining life of approximately 30 years. A provision for the above liability has been made on the Agency's balance sheet as of June 30, 2004, 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.

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 \$1,852,976 are restricted for these purposes, of which \$362,569 is for closure and \$1,490,407 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2004 and 2003

6. SOLID WASTE TONNAGE FEES RETAINED

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

As of June 30, 2003, there were no unspent amounts retained by the Agency and restricted for the required purposes.

7. LOCAL GOVERNMENT RISK POOL

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 400 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.

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 expenditures over the period of coverage. The Agency's annual contributions to the Pool for the year ended June 30, 2004 were \$14,621 (2003 - \$11,079).

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2004 and 2003

7. LOCAL GOVERNMENT RISK POOL - Continued

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 the 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, 2003, no liability has been recorded in the Agency's financial statements for such losses. As of June 30, 2003, 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. 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.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. 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.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2004 and 2003

8. ACCOUNTING AND REPORTING 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 statements had no effect on the beginning balances of the Agency.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
 Statements of Operating Expenses  
 Years Ended June 30, 2004 and 2003

	2004	2003
Personnel Expenses:		
Salaries	\$ 121,227	122,106
Payroll taxes	10,337	12,541
IPERS	6,886	7,018
Retirement contributions	780	780
Group insurance	26,131	31,496
Workers' compensation insurance	10,399	4,486
	175,760	178,427
Equipment Operation and Property Maintenance Expenses:		
Fuel expense	25,008	19,428
Repairs and maintenance	101,107	108,154
Equipment rental	1,562	-
Rock and road stone	14,454	6,229
Insurance	14,372	10,841
Licenses and fees	764	84
Recyclables expense, net	50,307	34,984
Household hazardous waste fees	41,077	40,949
	248,651	220,669
Depreciation and amortization	118,081	139,585
Planning and permits engineering	69,632	15,074
Tonnage fees	83,030	82,259
Closure and postclosure care	162,020	32,100
Office and General Expenses:		
Utilities	9,950	4,954
Telephone	1,468	1,622
Office supplies	4,484	8,697
Postage	578	632
Advertising and printing	2,747	7,336
Dues, conferences and meetings	645	1,201
Professional fees	2,200	2,150
Bad debts	6,521	-
	28,593	26,592
	\$ 885,767	694,706

See accompanying independent auditor's report.

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

To the Board of Directors  
South Central Iowa Landfill Agency

We have audited the financial statements of South Central Iowa Landfill Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated October 21, 2004. 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 the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 the 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 the following matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the Agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Segregation of accounting duties - The size of the Agency's staff makes it impractical to segregate performance of incompatible accounting duties among personnel. We recommend the Agency Board maintain a heightened awareness of the possibility that errors and irregularities may occur and not be detected. We suggest that in addition to the review of monthly receipts and disbursements, the Board periodically review lists of accounts receivable and payable, bank reconciliations and other accounting records for unusual items.

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 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, we believe the reportable condition described above 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 South Central Iowa 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.

October 21, 2004

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**Findings Related to the General Purpose Financial Statements:**

**Reportable Condition:**

04-A      Segregation of Duties - During our review of the internal control over financial reporting, the existing procedures are evaluated in order to determine that 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. We noted that one individual performs all record-keeping and reconciling functions for the Agency.

Recommendation - We realize that with a limited number of employees, segregation of duties is impractical. We recommend the Agency Board review monthly receipts and disbursements, accounts receivable and payable lists and bank reconciliations for unusual or unauthorized transactions.

Response and Corrective Action Planned - We have reviewed the number of staff necessary to perform accounting duties for the Agency and have no plans to add staff. The Agency Board is aware of the possibility for errors or irregularities to occur.

Conclusion - Response accepted.

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

04-1      Official Depositories - A resolution naming official depositories has been adopted by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

04-2      Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-3      Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.

04-4      Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.

04-5 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Schedule of Findings and Questioned Costs - Continued  
Year ended June 30, 2003

**Other Findings Related to Required Statutory Reporting (Continued):**

04-6      Solid Waste Fees Retainage - During the year ended June 30, 2002, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

04-7      Financial Assurance - The Association has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$	1,848,618
Less: Balance of funds held in the local dedicated fund at June 30, 2003		1,615,297
		233,321
Divided by the number of years remaining in the pay-in period		4
Required payment into the local dedicated fund for the year ended June 30, 2004	\$	58,330
Balance of funds held in the local dedicated fund at June 30, 2004		1,615,297
Required balance of funds held in the local dedicated fund at June 30, 2004	\$	1,673,627
Amount Association has restricted and reserved for closure and postclosure care at June 30, 2004	\$	1,852,976