

FLOYD - MITCHELL - CHICKASAW
SOLID WASTE MANAGEMENT AGENCY

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

SEPTEMBER 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-6
FINANCIAL STATEMENT:	
Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis	7-12
Notes to Financial Statement	13-18
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING	19-20
SCHEDULE OF FINDINGS	21-23

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641) 257-4222

FLOYD - MITCHELL - CHICKASAW
SOLID WASTE MANAGEMENT AGENCY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>	<u>TERM EXPIRES</u>
Joel Voaklander	Chairperson	City of Osage	December 2004
Cheryl Jahnel	Executive Board Member	Mitchell County	December 2004
Arlin Enabnit	Vice-Chairperson	Floyd County	December 2004
Arvin Tibbitts	Executive Board Member	City of Charles City	December 2004
Dennis Johnson	Executive Board Member	City of Carpenter	December 2004
Bob Clites	Executive Board Member	City of New Hampton	December 2004
J.R. Ackley	Executive Board Member	City of Marble Rock	December 2004
David Swenumson	Executive Board Member	City of Ionia	December 2004
Arnie Boge	Executive Board Member	Chickasaw County	December 2004
Ken Heimendinger	Director		

INDEPENDENT AUDITOR'S REPORT

To the Board Members of the
Floyd-Mitchell-Chickasaw Solid Waste Management Agency:

I have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis of the Floyd-Mitchell-Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2004. This financial statement is the responsibility of the Agency's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statement referred to above presents fairly, in all material respects, the results of the cash transactions and the net assets of the Floyd-Mitchell-Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2004, on the basis of accounting described in Note 1.

As discussed in Note 10, during the year ended September 30, 2004, the Floyd-Mitchell-Chickasaw Solid Waste Management 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, I have also issued my report dated January 14, 2005 on my consideration of Floyd-Mitchell-Chickasaw Solid Waste Management Agency's internal control over financial reporting and my 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 my 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion thereon.

January 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Floyd-Mitchell-Chickasaw Solid Waste Management 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 September 30, 2004. I encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

The Agency's receipts increased 10.0%, or approximately \$88,000 from fiscal 2003 to fiscal 2004. The increase was primarily a result of gate fees increasing due to an increase in waste received and tonnage fees assessed.

The Agency's disbursements increased 17.4%, or approximately \$122,000, in fiscal 2004 from fiscal 2003. The increase was primarily a result of the cost of a leachate system.

The Agency's total cash basis net assets increased 3.5%, or approximately \$144,000, from September 30, 2003 to September 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 Floyd-Mitchell-Chickasaw Solid Waste Management Agency's basic financial statement. The annual report consists of a financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis presents information on the Agency's receipts and disbursements, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

- 4 -

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

FINANCIAL ANALYSIS OF THE AGENCY

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

Changes in total net assets as presented on the Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis are based on the activity

presented in that Statement. The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency.

Receipts are received for gate fees from accepting solid waste, assessments from the members, and interest on investments of the Agency. Disbursements reflect payments made to operate the landfill, and construction costs. A summary of cash receipts, disbursements and changes in net assets for the years ended September 30, 2004 and September 30, 2003 are presented below:

Changes in Cash Basis Net Assets
(Expressed in Thousands)

	<u>Year ended September 30,</u>	
	<u>2004</u>	<u>2003</u>
Operating receipts:		
Landfill fees	\$ 733	\$ 624
Miscellaneous	3	11
Total operating receipts	<u>\$ 736</u>	<u>\$ 635</u>
Operating disbursements:		
Administrative	\$ 42	\$ 38
Operations	525	570
Insurance	26	13
Professional	11	39
Environmental	221	43
Total operating disbursements	<u>\$ 825</u>	<u>\$ 703</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ (89)</u>	<u>\$ (68)</u>
Non-operating receipts:		
Interest income	\$ 202	\$ 214
Farmland rental	31	31
Total non-operating receipts	<u>\$ 233</u>	<u>\$ 245</u>
Increase in cash basis net assets	\$ 144	\$ 177
Cash basis net assets beginning of year	<u>4,168</u>	<u>3,991</u>
Cash basis net assets end of year	<u>\$4,312</u>	<u>\$4,168</u>

ECONOMIC FACTORS

The Floyd-Mitchell-Chickasaw Solid Waste Management 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 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, Ken Heimendinger, Director, Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF CASH RECIEPTS, DISBURSEMENTS AND CHANGES IN NET ASSSETS- CASH BASIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Unreserved Fund	Reserved for Closure and Post Closure	Reserved for Equipment Replacement
OPERATING RECEIPTS:			
Sanitary landfill fees	\$390,964	\$105,802	\$105,802
Miscellaneous income	540	-	1,840
Total operating receipts	\$391,504	\$105,802	\$107,642
OPERATING DISBURSEMENTS:			
Administrative:			
Director	\$ 28,462	\$ -	\$ -
Administrative expense	1,573	-	-
Postage	767	-	-
Meeting allowance	4,451	-	-
Meeting mileage	5,654	-	-
Office expenses	1,180	-	-
Investment committee expense	161	-	-
Total administrative	\$ 42,248	\$ -	\$ -
Operations:			
Health insurance	\$ 27,958	\$ -	\$ -
Operator payroll	90,264	-	-
FICA	7,133	-	-
Medicare	1,465	-	-
IPERS	6,784	-	-
State unemployment tax	127	-	-
Equipment repairs	21,486	-	-
Fuel	22,681	-	-
Rock	10,589	-	-
Electric service	2,040	-	-
Telephone	2,837	-	-
Hired contractors	15,304	-	-
Casual labor	300	-	-
Continuing education	1,531	-	-
Miscellaneous/tools	4,735	-	-
Winter cover/concover	21,230	-	-
Appliance disposal	6,710	-	-
Tire disposal	1,349	-	-
Property taxes	4,576	-	-
Wind screens/fence	831	-	-
Advertising	189	-	-
Dues	135	-	-

(continued)

<u>Reserved for Environmental Issues</u>	<u>Reserved for Cell Development</u>	<u>Total</u>
\$ 24,121	\$105,802	\$732,491
-	-	2,380
<u>\$ 24,121</u>	<u>\$105,802</u>	<u>\$734,871</u>

\$ -	\$ -	\$ 28,462
-	-	1,573
-	-	767
-	-	4,451
-	-	5,654
-	-	1,180
-	-	161
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,248</u>

\$ -	\$ -	\$ 27,958
-	-	90,264
-	-	7,133
-	-	1,465
-	-	6,784
-	-	127
-	-	21,486
-	-	22,681
-	-	10,589
-	-	2,040
-	-	2,837
-	-	15,304
-	-	300
-	-	1,531
-	-	4,735
-	-	21,230
-	-	6,710
-	-	1,349
-	-	4,576
-	-	831
-	-	189
-	-	135

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Unreserved Fund</u>	<u>Reserved for Closure and Post Closure</u>	<u>Reserved for Equipment Replacement</u>
OPERATING DISBURSEMENTS (continued):			
Operations (continued)			
Scales/computer/supplies	\$ 13,977	\$ -	\$ -
E waste program	2,915	-	-
HHW expense	-	-	-
Equipment purchase	-	-	208,601
Total operations	<u>\$ 267,146</u>	<u>\$ -</u>	<u>\$ 208,601</u>
Insurance:			
Bond insurance	\$ 678	\$ -	\$ -
Workman's Compensation	3,628	-	-
Liability and property	21,496	-	-
Total insurance	<u>\$ 25,802</u>	<u>\$ -</u>	<u>\$ -</u>
Professional:			
Engineering fees	\$ 5,920	\$ -	\$ -
Legal fees	1,789	-	-
Audit	3,085	-	-
Total professional	<u>\$ 10,794</u>	<u>\$ -</u>	<u>\$ -</u>
Environmental:			
Tonnage fee assessment	\$ 46,503	\$ -	\$ -
Environmental issues	-	19,277	-
Wells/soil testing	6,187	-	-
Leachate system	-	-	-
Total environmental	<u>\$ 52,690</u>	<u>\$ 19,277</u>	<u>\$ -</u>
Total operating disbursements	<u>\$ 398,680</u>	<u>\$ 19,277</u>	<u>\$ 208,601</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ (7,176)</u>	<u>\$ 86,525</u>	<u>\$ (100,959)</u>
NON-OPERATING RECEIPTS:			
Interest income	\$ 24,079	\$ 100,078	\$ 21,976
Farmland rental	31,201	-	-
Net non-operating receipts	<u>\$ 55,280</u>	<u>\$ 100,078</u>	<u>\$ 21,976</u>
Change in cash basis net assets	\$ 48,104	\$ 186,603	\$ (78,983)
Net assets - Cash basis beginning of year	<u>1,654,809</u>	<u>1,637,495</u>	<u>124,415</u>
Net assets - Cash basis end of year	<u>\$1,702,913</u>	<u>\$1,824,098</u>	<u>\$ 45,432</u>

(Continued)

<u>Reserved for Environmental Issues</u>	<u>Reserved for Cell Development</u>	<u>Total</u>
\$ -	\$ -	\$ 13,977
-	-	2,915
49,336	-	49,336
-	-	208,601
<u>\$ 49,336</u>	<u>\$ -</u>	<u>\$ 525,083</u>
\$ -	\$ -	\$ 678
-	-	3,628
-	-	21,496
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,802</u>
\$ -	\$ -	\$ 5,920
-	-	1,789
-	-	3,085
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,794</u>
\$ -	\$ -	\$ 46,503
32,106	-	51,383
594	-	6,781
115,908	-	115,908
<u>\$ 148,608</u>	<u>\$ -</u>	<u>\$ 220,575</u>
<u>\$ 197,944</u>	<u>\$ -</u>	<u>\$ 824,502</u>
\$ (173,823)	\$ 105,802	\$ (89,631)
\$ 11,414	\$ 45,060	\$ 202,607
-	-	31,201
<u>\$ 11,414</u>	<u>\$ 45,060</u>	<u>\$ 233,808</u>
\$ (162,409)	\$ 150,862	\$ 144,177
<u>184,066</u>	<u>567,481</u>	<u>4,168,266</u>
<u>\$ 21,657</u>	<u>\$ 718,343</u>	<u>\$4,312,443</u>

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Unreserved Fund	Reserved for Closure and Post Closure	Reserved for Equipment Replacement
Restricted:			
Closure	\$ -	\$ 784,362	\$ -
Post closure	-	1,039,736	-
Equipment replacement	-	-	45,432
Environmental issues	-	-	-
Cell development	-	-	-
Unrestricted	\$1,702,913	-	-
Total Cash basis net assets	\$1,702,913	\$1,824,098	\$ 45,432

See Notes to Financial Statement.

<u>Reserved for Environmental Issues</u>	<u>Reserved for Cell Development</u>	<u>Total</u>
\$ -	\$ -	\$ 784,362
-	-	1,039,736
-	-	45,432
21,657	-	21,657
-	718,343	718,343
-	-	1,702,913
<u>\$ 21,657</u>	<u>\$ 718,343</u>	<u>\$4,312,443</u>

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2004

(1) Summary of Significant Accounting Policies

The Floyd-Mitchell-Chickasaw Solid Waste Management Agency was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to provide for the economic disposal or collection and disposal of all solid waste produced or generated within each member city, town, and the unincorporated portion of Floyd, Mitchell and Chickasaw Counties, comprising the municipalities.

The governing body of the Agency is composed of an elected representative from each city or county member. The member cities and counties are: Charles City, Rockford, Colwell, Marble Rock, Rudd, Floyd, and the County of Floyd; Osage, Carpenter, Mitchell, Orchard, Stacyville, St. Ansgar, McIntire, Riceville and the County of Mitchell; Bassett, New Hampton, Ionia, Fredericksburg, Nashua, North Washington, Alta Vista, Lawler and the County of Chickasaw; and Elma and Chester. The representatives of each city or county are to be elected representatives of each city or county. Each member of the Board from a city shall have one vote for each 1,000 population or fraction thereof as determined by the most recent federal census or special federal census, whichever is latest. Where the representative is a county, or portion thereof, such population shall be that of the unincorporated portion of the county or that part of the unincorporated portion of the county which is a member of the Agency.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, 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 statement 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 Floyd-Mitchell-Chickasaw Solid Waste Management Agency has no component units which meet the Governmental Accounting Standards Board criteria.

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2004

(1) Summary of Significant Accounting Policies - continued

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.

The Floyd-Mitchell-Chickasaw Solid Waste Management Agency maintains its financial records on the basis of cash receipts and disbursements and the Statement of Cash Transactions and Fund Balances is 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 post-closure care costs. Accordingly, the accompanying financial statement does not present financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Agency's deposits in banks at September 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's 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.

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2004

(2) **Cash and Investments** - continued

The Agency's investments are categorized to give an indication of the level of risk assumed by the Agency at year end. The Agency's investments are all category 1 which means that the investments are insured or registered or the securities are held by the Agency or its agent in the Agency's name.

The Agency's investments at September 30, 2004 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificate of Deposit out of Iowa	\$ 38,025	\$ 33,877
FNMA	541,650	554,557
FHLMC	261,126	266,171
Mutual Funds	146,915	153,975
	<u>\$ 987,716</u>	<u>\$1,008,580</u>

(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 covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended September 30, 2004, 2003, and 2002 were \$6,784, \$6,026 and \$5,326, respectively, equal to the required contributions for each year.

(4) **Compensated Absences**

Full-time Agency employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. The accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation payments payable to employees at September 30, 2004, was \$807. This liability has been computed based on rates of pay as of September 30, 2004.

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2004

(5) **Summary of Fund Balances at September 30, 2004**

	Unreserved Fund	Reserved for Closure and Post Closure	Reserved for Equipment Replacement	Reserved for Environmental Issues	Reserved for Cell Development
Petty cash	\$ 300	\$ -	\$ -	\$ -	\$ -
Checking account	1,244,944	(29,995)	(456,152)	(245,567)	(316,264)
Money market account	89,975	272,604	-	7,271	-
Certificates of deposit	-	1,132,014	501,584	126,652	934,607
Mutual funds	124,781	17,557	-	4,577	-
FNMA	169,888	248,130	-	123,632	-
FHLMC	72,247	183,788	-	5,092	-
GNMA	778	-	-	-	-
Land	-	-	-	-	-
Total fund balances	<u>\$1,702,913</u>	<u>\$1,824,098</u>	<u>\$ 45,432</u>	<u>\$ 21,657</u>	<u>\$ 718,343</u>

(6) **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 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 would be based on the cost to purchase those services and equipment currently and would be required to be updated annually for changes to inflation or deflation, technology, or applicable laws or regulations.

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2004

(6) **Closure and Postclosure Care Costs** - continued

These costs for the Floyd-Mitchell-Chickasaw Solid Waste Management Agency have been estimated at \$708,813 for closure and \$927,700 for postclosure for a total of \$1,636,513 as of March, 2004.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and, at June 30, 2004, assets of \$1,824,098 are restricted for these purposes, of which \$784,362 is for closure and \$1,039,736 is for postclosure care. They are reported as restricted net assets on the Statement of Cash Receipts, Disbursements and Changes in Net Assets.

(7) **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 required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee may be retained but must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure care plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. Forty-five cents per ton of the tonnage fee shall be disbursed to a city, county, or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Agency's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities. An updated comprehensive plan was approved by the Department of Natural Resources allowing the Agency to retain an additional thirty-five cents per ton of the tonnage fee. The thirty-five cents per ton of the tonnage fee shall be used for waste reduction, recycling, or small business prevention purposes.

As of September 30, 2004, the unspent amounts retained by the Agency and restricted for the required purposes totaled \$21,657.

(8) **Risk Management**

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2004

(9) **Employee Health Insurance Plan**

Employees are provided single health insurance coverage by the Agency. The Agency has an agreement with Floyd County whereas coverage amounts are remitted to Floyd County and then are deposited along with amounts for Floyd County employees in an insurance account through the Floyd County Treasurer's Office. An outside administrator pays claims and bills the county for reimbursement of claims and for administrative fees. For purposes of the outside administrator, employees of the Floyd-Mitchell-Chickasaw Solid Waste Management Agency are considered employees of Floyd County.

(10) **Accounting Change**

For the year ended September 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.

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

To the Board Members of the
Floyd-Mitchell-Chickasaw Solid Waste Management Agency:

I have audited the financial statement of the Floyd-Mitchell-Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2004, and have issued my report thereon dated January 14, 2005. My report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. I conducted my 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 the Agency's financial statement is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. I noted no instances of noncompliance that are required to be described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2004, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statement of the Agency. Since my 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. All prior year statutory comments have been resolved, except for item 4.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Agency's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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 statement. 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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item A is a material weakness. Prior year reportable conditions have been resolved except for item A.

This report, a public record by law, is intended solely for the information and use of the members and constituents of the Floyd-Mitchell-Chickasaw Solid Waste Management 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.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the Floyd-Mitchell-Chickasaw Solid Waste Management Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

January 14, 2005

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
Schedule of Findings
Year Ended September 30, 2004

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - During my review of the internal control structure, 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 statement. I noted that the cash receipts listing, posting of the cash receipts and disbursements and preparation of the bank reconciliation are all done by the same individual.

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

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The Agency could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) Signature Cards - The bank signature cards were not current at First Security Bank and Trust.

Recommendation - Only current Agency officials should be authorized on signature cards at First Security Bank and Trust.

Response - We will update signature cards.

Conclusion - Response accepted.

FLOYD - MITCHELL - CHICKASAW SOLID WASTE MANAGEMENT AGENCY
Schedule of Findings
Year Ended September 30, 2004

Other Findings Related to Statutory Reporting:

- (1) 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.
- (2) Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.
- (4) Deposits and Investments - The Agency's investments included a Mutual Fund and a certificate of deposit in an institution not located in Iowa. These investments are not eligible investments per the Agency's investment policy. Also, operating or unreserved funds are invested in long term U.S. Agency Pools, and the Agency's investment policy states operating funds to be invested in instruments maturing within 397 days.

Recommendation - The Agency should withdraw the funds invested in ineligible investments as soon as possible and invest them in eligible investments. Also, The current investment pools pay down interest and usually principal monthly even though final maturity is 15 to 30 years. The investments do not appear to cause cash flow problems, so the Agency may want to consider amending the current investment policy.

Response - We will do this.

Conclusion - Response accepted.

- (5) Solid Waste Tonnage Fees Retainage - During the year ended September 30, 2004, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.

Other Findings Related to Statutory Reporting: - continued

- (6) Financial Assurance - The Agency 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:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 708,813	\$ 927,700
Less: Balance of funds held in the local dedicated fund at September 30, 2004	<u>784,362</u> (75,549)	<u>1,039,736</u> (112,036)
Divided by the number of years remaining in the pay-in period	÷ <u>10</u> (7,555)	÷ <u>10</u> (11,204)
Add: deficiency in local dedicated fund at September 30, 2004	<u>-</u>	<u>-</u>
Required payment into the local dedicated fund for the year ended September 30, 2004	-	-
Balance of funds held in the local dedicated fund at September 30, 2004	<u>784,362</u>	<u>1,039,736</u>
Required payment into the local dedicated fund for the year ended September 30, 2004	<u>\$ 708,813</u>	<u>\$ 927,700</u>
Amount Agency has restricted and reserved for closure and postclosure care at September 30, 2004	<u>\$ 784,362</u>	<u>\$ 1,039,736</u>

- (7) Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

January 20, 2005

Office of Auditor of State
State of Iowa
State Capitol Building
Des Moines, IA 50319

RE: Audit of the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the
year ended September 30, 2004

Dear Sir or Madam:

I have enclosed a copy of the news release, a copy of my bill to the Agency and
two copies of the Audit Report. I will appreciate your comments and suggestions.

Sincerely yours,

Larry Pump, CPA

jlp
enclosures

January 20, 2005

Iowa Department of Natural Resources
Waste Management Assistance Bureau
502 East 9th Street
Des Moines, IA 50319-0034

RE: Floyd-Mitchell-Chickasaw Solid Waste Management Agency

Gentlemen:

I am submitting a copy of the audited financial statements of the above-referenced governmental unit for the year ended September 30, 2004.

Please call if you have questions.

Sincerely yours,

Larry Pump, CPA

jlp
enclosures

FLOYD-MITCHELL-CHICKASAW SOLID WASTE MANAGEMENT AGENCY

3354 330TH ST
ELMA IA 50628-7504

Phone 641-982-4288 OR TOLL FREE 877-982-4288
Fax 641-982-4289

Charles City Press
801 Riverside Drive
Charles City, IA 50616

N E W S R E L E A S E

FOR RELEASE January 20, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the year ended September 30, 2004.

Larry Pump, CPA reported that the Agency's receipts totaled \$968,679 for the year ended September 30, 2004. The receipts included \$732,491 in landfill fees, \$31,201 from farmland rental, \$2,380 from miscellaneous, and \$202,607 in interest on investments.

Disbursements for the year ended September 30, 2004, totaled \$824,502 and included \$42,248 for administrative, \$525,083 for operations, \$25,802 for insurance, \$10,794 for professional fees, and \$220,575 for environmental.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

#####

FLOYD-MITCHELL-CHICKASAW SOLID WASTE MANAGEMENT AGENCY

3354 330TH ST
ELMA IA 50628-7504

Phone 641-982-4288 OR TOLL FREE 877-982-4288
Fax 641-982-4289

Mitchell County Press News
112 N. Sixth
Osage, IA 50461

N E W S R E L E A S E

FOR RELEASE January 20, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the year ended September 30, 2004.

Larry Pump, CPA reported that the Agency's receipts totaled \$968,679 for the year ended September 30, 2004. The receipts included \$732,491 in landfill fees, \$31,201 from farmland rental, \$2,380 from miscellaneous, and \$202,607 in interest on investments.

Disbursements for the year ended September 30, 2004, totaled \$824,502 and included \$42,248 for administrative, \$525,083 for operations, \$25,802 for insurance, \$10,794 for professional fees, and \$220,575 for environmental.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

#####

FLOYD-MITCHELL-CHICKASAW SOLID WASTE MANAGEMENT AGENCY

3354 330TH ST
ELMA IA 50628-7504

Phone 641-982-4288 OR TOLL FREE 877-982-4288
Fax 641-982-4289

New Hampton Newspapers
10 N. Chestnut Avenue
New Hampton, IA 50659

N E W S R E L E A S E

FOR RELEASE January 20, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the year ended September 30, 2004.

Larry Pump, CPA reported that the Agency's receipts totaled \$968,679 for the year ended September 30, 2004. The receipts included \$732,491 in landfill fees, \$31,201 from farmland rental, \$2,380 from miscellaneous, and \$202,607 in interest on investments.

Disbursements for the year ended September 30, 2004, totaled \$824,502 and included \$42,248 for administrative, \$525,083 for operations, \$25,802 for insurance, \$10,794 for professional fees, and \$220,575 for environmental.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

#

FLOYD-MITCHELL-CHICKASAW SOLID WASTE MANAGEMENT AGENCY

3354 330TH ST
ELMA IA 50628-7504

Phone 641-982-4288 OR TOLL FREE 877-982-4288
Fax 641-982-4289

Shell Rock Valley Times
PO Box 648
17 South Hawkeye
Nora Springs, IA 50458

N E W S R E L E A S E

FOR RELEASE January 20, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the year ended September 30, 2004.

Larry Pump, CPA reported that the Agency's receipts totaled \$968,679 for the year ended September 30, 2004. The receipts included \$732,491 in landfill fees, \$31,201 from farmland rental, \$2,380 from miscellaneous, and \$202,607 in interest on investments.

Disbursements for the year ended September 30, 2004, totaled \$824,502 and included \$42,248 for administrative, \$525,083 for operations, \$25,802 for insurance, \$10,794 for professional fees, and \$220,575 for environmental.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

#####

FLOYD-MITCHELL-CHICKASAW SOLID WASTE MANAGEMENT AGENCY

3354 330TH ST
ELMA IA 50628-7504

Phone 641-982-4288 OR TOLL FREE 877-982-4288
Fax 641-982-4289

St. Ansgar Enterprise Journal
204 E. 4 Street
St. Ansgar, IA 50472

N E W S R E L E A S E

FOR RELEASE January 20, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the year ended September 30, 2004.

Larry Pump, CPA reported that the Agency's receipts totaled \$968,679 for the year ended September 30, 2004. The receipts included \$732,491 in landfill fees, \$31,201 from farmland rental, \$2,380 from miscellaneous, and \$202,607 in interest on investments.

Disbursements for the year ended September 30, 2004, totaled \$824,502 and included \$42,248 for administrative, \$525,083 for operations, \$25,802 for insurance, \$10,794 for professional fees, and \$220,575 for environmental.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

#####

FLOYD-MITCHELL-CHICKASAW SOLID WASTE MANAGEMENT AGENCY

3354 330TH ST
ELMA IA 50628-7504

Phone 641-982-4288 OR TOLL FREE 877-982-4288
Fax 641-982-4289

The Nashua Reporter
216 Main
Nashua, IA 50658

N E W S R E L E A S E

FOR RELEASE January 20, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the year ended September 30, 2004.

Larry Pump, CPA reported that the Agency's receipts totaled \$968,679 for the year ended September 30, 2004. The receipts included \$732,491 in landfill fees, \$31,201 from farmland rental, \$2,380 from miscellaneous, and \$202,607 in interest on investments.

Disbursements for the year ended September 30, 2004, totaled \$824,502 and included \$42,248 for administrative, \$525,083 for operations, \$25,802 for insurance, \$10,794 for professional fees, and \$220,575 for environmental.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

#####

FLOYD-MITCHELL-CHICKASAW SOLID WASTE MANAGEMENT AGENCY

3354 330TH ST
ELMA IA 50628-7504

Phone 641-982-4288 OR TOLL FREE 877-982-4288
Fax 641-982-4289

Fredericksburg Review
Fredericksburg, IA 50630

N E W S R E L E A S E

FOR RELEASE January 20, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the year ended September 30, 2004.

Larry Pump, CPA reported that the Agency's receipts totaled \$968,679 for the year ended September 30, 2004. The receipts included \$732,491 in landfill fees, \$31,201 from farmland rental, \$2,380 from miscellaneous, and \$202,607 in interest on investments.

Disbursements for the year ended September 30, 2004, totaled \$824,502 and included \$42,248 for administrative, \$525,083 for operations, \$25,802 for insurance, \$10,794 for professional fees, and \$220,575 for environmental.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

#####

FLOYD-MITCHELL-CHICKASAW SOLID WASTE MANAGEMENT AGENCY

3354 330TH ST
ELMA IA 50628-7504

Phone 641-982-4288 OR TOLL FREE 877-982-4288
Fax 641-982-4289

Riceville Recorder
Riceville, IA 50466

N E W S R E L E A S E

FOR RELEASE January 20, 2005

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the Floyd-Mitchell-Chickasaw Solid Waste Management Agency for the year ended September 30, 2004.

Larry Pump, CPA reported that the Agency's receipts totaled \$968,679 for the year ended September 30, 2004. The receipts included \$732,491 in landfill fees, \$31,201 from farmland rental, \$2,380 from miscellaneous, and \$202,607 in interest on investments.

Disbursements for the year ended September 30, 2004, totaled \$824,502 and included \$42,248 for administrative, \$525,083 for operations, \$25,802 for insurance, \$10,794 for professional fees, and \$220,575 for environmental.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

#####