

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

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

JUNE 30, 2005

Trevino Associates, P.C.
Certified Public Accountants
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NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

OFFICIALS

June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Will Patterson	Chairperson	Fort Dodge
Phil Condon	Vice-Chairperson	Webster County
Ike Nelson	Executive Committee	Fort Dodge
Dan Payne	Executive Committee	Fort Dodge
Carl Halverson	Executive Committee	Eagle Grove
Mark Groat	Executive Committee	Otho
Lori Bennett	Executive Committee	Humboldt
Arlene Tille	Executive Committee	Rutland
Joe Gray	Executive Committee	Manson
Meryl Loseke	Board Member	Badger
Jim McCabe	Board Member	Barnum
Henry Froisland	Board Member	Clare
Kenneth Pedersen	Board Member	Gowrie
Mark Savonell	Board Member	Harcourt
Howard Ball	Board Member	Moorland
Lois Vanhorn	Board Member	Vincent
Martin Brown	Board Member	Bradgate
David Lee	Board Member	Dakota City
Harlan Hanson	Board Member	Dakota City
Jean Bunz	Board Member	Gilmore City
Jeff Crutcher	Board Member	Hardy
Marie Wilson	Board Member	Livermore
Richard Kinseth	Board Member	Ottosen
John Hendricks	Board Member	Pioneer
Steve Erwin	Board Member	Renwick
Joann Hendricks	Board Member	Rockwell City
Denise Faulkner	Board Member	Lehigh
Joyce Gadbury	Board Member	Knierim
Donna Eastman	Board Member	Callender
Bob Taylor	Board Member	Duncombe
E.C. Nerem	Board Member	Thor
Joe Gray	Board Member	Pomeroy
Gary Schmidt	Director	
Deb Watson	Secretary/Treasurer	

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Central IA Regional Solid Waste Agency
Fort Dodge, IA 50501

We have audited the accompanying financial statements of the North Central IA Regional Solid Waste Agency as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of North Central IA Regional Solid Waste Agency as of and for the year ended June 30, 2005 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2005 on our consideration of North Central IA Regional Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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 8 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.

Trevino Associates, P.C.

September 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North Central IA Regional Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the North Central IA Regional Solid Waste Agency is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- ◆ The Agency's operating receipts increased .5%, or approximately \$7,458, from fiscal 2004 to fiscal 2005.
- ◆ The Agency's operating disbursements decreased approximately \$224,539, or 14.4%, from fiscal 2004 to fiscal 2005.
- ◆ The Agency's net assets decreased 5.8%, or approximately \$238,153, from June 30, 2004 to June 30, 2005.

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 North Central IA Regional Solid Waste 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.

A portion of the Agency's net assets (25.4%) is 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. Also restricted is a portion of the tonnage fees collected. The Department of Natural Resources allows a retainage of monies for specified purposes. Therefore, the Agency has retained and restricted \$132,569 for comprehensive planning, closure and postclosure planning and leachate control planning. Also, \$24,422 is restricted for waste volume reduction and recycling planning. These two restricted amounts total \$156,991 or 4.1% of total net assets. The remaining net assets (70.5%) are the unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets increased \$228,203 or 25.3%, during the year. The increase was due to additional funds set aside for closure and postclosure care costs and interest earned on investments of these funds. Unrestricted net assets decreased \$466,356, or 14.7%, during the year due primarily to an addition to the recycling building at a cost of \$452,996.

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

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

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments and construction costs. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2005 and June 30, 2004 are presented on the following page.

Changes in Cash Basis Net Assets		
	Year ended June 30, 2005	Year ended June 30, 2004
Operating Receipts:		
Tipping fees and gate charges	\$ 1,206,291	\$ 1,148,055
Member contributions	179,188	209,586
Recycling Center	114,693	101,645
Miscellaneous	<u>19,728</u>	<u>53,156</u>
Total operating receipts	<u>1,519,900</u>	<u>1,512,442</u>
Operating disbursements:		
Salaries and benefits	573,315	579,447
Equipment replacement	26,500	417,705
Equipment repair and maintenance	76,523	44,583
Equipment rental	22,604	20,380
Fuel	104,633	72,746
Monitoring and inspection fees	36,768	33,423
Iowa DNR tonnage fee	265,318	213,390
Postage and telephone	5,791	4,943
Utilities	19,412	18,244
Building maintenance	44,834	19,518
Insurance	43,851	51,018
Supplies	23,078	28,356
Advertising	14,418	7,719
Professional fees	6,618	4,185
Office supplies and expense	3,147	5,841
Road maintenance	38,133	16,107
Miscellaneous	<u>29,729</u>	<u>21,606</u>
Total operating disbursements	<u>1,334,672</u>	<u>1,559,211</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	185,228	(46,769)
Non-operating receipts (disbursements):		
Interest on investments	66,474	40,235
Leachate collection systems construction	(37,559)	(68,110)
Building addition	<u>(452,296)</u>	<u>(19,402)</u>
Net non-operating receipts	<u>(423,381)</u>	<u>(47,277)</u>
Increase (decrease) in net assets - cash basis	(238,153)	(94,046)
Net assets beginning of year	<u>4,070,746</u>	<u>4,164,792</u>
Net assets end of year	<u>\$ 3,832,593</u>	<u>\$ 4,070,746</u>

In fiscal 2005, operating receipts increased by \$7,458 or .5% over fiscal year 2004. The increase was primarily a result of gate fees increasing by \$58,236 due to an increase in waste received. In fiscal 2005, operating disbursements decreased by \$224,539, or 14.4%, from fiscal 2004.

ECONOMIC FACTORS

North Central IA Regional Solid Waste Agency's financial position declined slightly during the current fiscal year. 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 the North Central IA Regional Solid Waste Agency, 2150 South 22nd Street, Fort Dodge, Iowa.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

STATEMENT OF NET ASSETS – CASH BASIS

June 30, 2005

EXHIBIT A

Assets:

Cash and cash equivalents	
Restricted	\$ 1,129,499
Unrestricted	<u>2,703,094</u>
Total assets	<u>\$ 3,832,593</u>

Net assets:

Restricted for:	
Closure	\$ 104,037
Postclosure	868,471
DNR – Recycling projects	24,422
DNR – Landfill planning	<u>132,569</u>
Total restricted net assets	1,129,499
Unrestricted	<u>2,703,094</u>
Total net assets	<u>\$ 3,832,593</u>

See accompanying notes to financial statements.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN NET ASSETS – CASH BASIS

As of and for the year ended June 30, 2005

EXHIBIT B

Operating receipts:		
Gate charges	\$ 1,206,291	
City and county assessments	179,188	
Sale of recyclable materials	114,693	
Other income	<u>19,728</u>	
Total operating receipts		\$ 1,519,900
Operating disbursements:		
Salaries and benefits	573,315	
Equipment replacement	26,500	
Equipment repairs and maintenance	76,523	
Equipment rental	22,604	
Fuel	104,633	
Monitoring and inspection	36,768	
Department of Natural Resources tonnage fee	265,318	
Postage and telephone	5,791	
Utilities	19,412	
Building maintenance	44,834	
Insurance	43,851	
Supplies	23,078	
Advertising	14,418	
Professional fees	6,618	
Office supplies and expense	3,147	
Road maintenance	38,133	
Miscellaneous	<u>29,729</u>	
Total operating disbursements		<u>1,334,672</u>
Excess of operating receipts over operating disbursements		185,228
Non–operating receipts (disbursements):		
Interest on investments		66,474
Leachate collection system construction		(37,559)
Building addition		<u>(452,296)</u>
Net non-operating receipts (disbursements)		<u>(423,381)</u>
Change in cash basis net assets		(238,153)
Net assets – cash basis beginning of year		<u>4,070,746</u>
Net assets – cash basis end of year		<u>\$ 3,832,593</u>

See accompanying notes to financial statements.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Central IA Regional Solid Waste Agency was formed January 1, 1993 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities in Webster County on behalf of the units of government which are members of the Agency. Agency members include Webster and Humboldt Counties and all communities within those counties, excluding the city of Bode, and the communities of Eagle Grove, Knierim, Manson, Pomeroy, and Rockwell City.

A. Reporting Entity

For financial reporting purposes, North Central IA Regional Solid Waste 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. See Note 8 for related organization. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission 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.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

North Central IA Regional Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items including the estimated payables for closure and post-closure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets – Cash Basis.

Cash Equivalents – The commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets and Net Assets – Funds set aside for payment of closure and postclosure care costs and unspent DNR fees set aside for planning purposes are classified as restricted.

Note 2 CASH AND INVESTMENTS

The Agency's deposits at June 30, 2005 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.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2 CASH AND INVESTMENTS (CONTINUED)

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

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

The Agency had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,816,498 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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 covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 totaled \$24,607, \$24,606, and \$21,602, respectively, equal to the required contributions for each year.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4 COMPENSATED ABSENCES

Agency employees accrue a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. Employees accrue sick leave at a rate of one day per month. Unused sick leave is only paid upon retirement after working ten years or more for the Agency. Unused sick leave is paid at 25% of the total accumulation, not to exceed 30 days. These accumulations are not recognized as disbursements by the Agency until used or paid.

The Agency's approximate liability to employees for earned vacation and sick leave at June 30, 2005 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 60,277
Sick Leave	<u>19,651</u>
	<u>\$ 79,928</u>

This liability has been computed based on rates of pay in effect at July 1, 2005.

Note 5 CLOSURE AND POST-CLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post-closure plan to provide funding necessary to effect closure and post-closure, 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 requirements is to commit landfill owners to perform certain closing functions and post-closure 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.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5 CLOSURE AND POST-CLOSURE CARE COSTS (CONTINUED)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure 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 post-closure monitoring care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure 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 North Central IA Regional Solid Waste Agency as of June 30, 2005 have been estimated at \$290,007 for closure and \$2,126,160 for postclosure, for a total of \$2,416,167. The remaining useful life of the landfill is currently 30 years.

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 Commission has begun to accumulate resources to fund these costs and, at June 30, 2005, assets of \$972,508 are restricted for these purposes, of which \$104,037 is for closure and \$868,471 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets – Cash Basis.

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 Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the local government dedicated fund mechanism.

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 Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6 SOLID WASTE TONNAGE FEES RETAINED

Chapter 455B.310 of the Code of Iowa establishes a tonnage fee of four dollars and twenty-five cents per ton of solid waste. The Sanitary landfill operator shall retain ninety-five cents of the tonnage fee to be described in the following paragraph and can retain an additional twenty-five cents of the tonnage fee as described below if an updated comprehensive plan has been approved for the Agency. The remainder of the tonnage fee is remitted to the Department of Natural Resources on a quarterly basis.

The Agency has established accounts for restricting and using 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 must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or post-closure 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 twenty-five cents per ton of the tonnage fee. The twenty-five cents per ton of the tonnage fee shall be used for waste reduction, recycling, or small business pollution prevention purposes.

As of June 30, 2005, the unspent amounts retained by the Agency and restricted for the required purposes are as follows:

Special Account – DNR – Landfill planning	\$ 132,568
Special Account – DNR – Recycling	<u>24,422</u>
	<u>\$ 156,990</u>

Note 7 RISK MANAGEMENT

The Commission 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 509 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

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7 RISK MANAGEMENT (CONTINUED)

against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rated 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 Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended June 30, 2005 were \$33,395.

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. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7 RISK MANAGEMENT (CONTINUED)

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. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

Note 8 RELATED ORGANIZATION

Prior to the formation of the North Central IA Regional Solid Waste Agency, the cities of Badger, Fort Dodge, Lehigh, Moorland, and the county of Webster, provided the solid waste collection and disposal services under the Webster County Solid Waste Commission. The Commission no longer provides any services; however, cash funds have been set aside under the Commission's name, to provide for any potential future liability which might result from the closure of the landfill site. At June 30, 2005 the Commission held the following cash balances:

Checking	\$ 733
Iowa Public Agency Trust	<u>378,815</u>
	<u>\$ 379,548</u>

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 9 SUBSEQUENT EVENT

Effective July 1, 2005, Hamilton County will become an agency member. The buy-in will be \$90 per capita, 16,464 people for a total buy-in of \$1,481,760. This amount will be paid over a 15 year period at 0% interest, starting FYE 6-30-06. Initially, waste will be taken to the Hamilton County landfill in Kamrar, Iowa, until such time as that landfill is filled to capacity or October, 2006, whichever comes first.

Trevino Associates, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
North Central IA Regional Solid Waste Agency
Fort Dodge, IA 50501

We have audited the financial statements of North Central IA Regional Solid Waste Agency as of and for the year ended June 30, 2005, and have issued our report thereon dated September 22, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Central IA Regional Solid Waste 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 a certain 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 North Central IA Regional Solid Waste 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 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, we believe item A is a material weakness. Item A was a reportable condition in the prior year and has still not been resolved.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Central IA Regional Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the members and constituents of North Central IA Regional Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Central IA Regional Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Trevino Associates, P.C.

September 22, 2005

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITION:

- A Segregation of Duties – During our review of internal controls, the existing control activities were 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 and dishonesty and therefore maximizes the accuracy of the Agency's financial statements. Generally one individual has control over account billings, collecting, posting and reconciling of receipts.

Recommendation – The Agency has an inherent problem it shares with other organizations of its size in that it has a limited number of personnel performing accounting and administrative functions. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations.

Response – Procedures will be reviewed and current personnel will be utilized to maximize control.

Conclusion – Response accepted.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2005

OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 05-1 Official Depositories – A resolution naming official depositories has been approved by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- 05-2 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- 05-3 Travel Expense – No disbursements for travel expenses of spouses of Agency officials or employees were noted.
- 05-4 Board Minutes – One transaction was found that we believe should have been approved in the Agency minutes, but was not. During the year, the Agency purchased fencing along the landfill. It was discussed at a Board meeting, but was not approved in the minutes. All material asset acquisitions should have Board approval.
- 05-5 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency’s investment policy were noted.
- 05-6 Solid Waste Tonnage Fees Retained – The Agency used or retained the solid waste fees in accordance with Chapter 455B.310(3),(4) of the Code of Iowa during the year ended June 30, 2005.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2005

05-7 Financial Assurance – The Agency has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and post-closure care	\$ 290,007	\$ 2,126,160
Less: Balance of funds held in the local dedicated fund at June 30, 2004	<u>74,875</u> 215,132	<u>675,892</u> 1,450,268
Divided by the number of years remaining in the pay-in period	<u>÷ 8</u>	<u>÷ 8</u>
Required payment into the local dedicated fund for the year ended June 30, 2005	26,892	181,284
Balance of funds held in the local dedicated fund at June 30, 2004	<u>74,875</u>	<u>675,892</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2005	<u>\$ 101,767</u>	<u>\$ 857,176</u>
Amount Agency has restricted and reserved for closure and post-closure care at June 30, 2005	<u>\$ 104,037</u>	<u>\$ 868,471</u>

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

STAFF

For the Year Ended June 30, 2005

This audit was performed by:

Thomas D. O'Brien, CPA, Manager

Peggy Richardson Trevino, CPA, Owner