



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ October 28, 2005 \_\_\_\_\_ Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Rural Iowa Waste Management Association.

The Association had total receipts of \$1,903,388 during the year ended June 30, 2004, which included member contributions of \$1,277,154, gate charges of \$27,019, sale of equipment of \$140,000 and loan proceeds of \$387,161.

Disbursements totaled \$1,780,413 for the year ended June 30, 2004, which included \$422,161 for equipment purchases, \$314,675 for salaries and benefits, \$447,334 for principal and interest payments and \$145,460 for capital improvements and landfill expansion.

A copy of the audit report is available for review in the Office of Auditor of State and at the Rural Iowa Waste Management Association.

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**RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

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

**JUNE 30, 2004**

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## **Rural Iowa Waste Management Association**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Richard Young	Chairperson	Butler County Solid Waste Commission
Steve Whyte	Vice-Chairperson	Wright County Area Landfill Authority
Troy Hassenbrock	Member	Hamilton County Solid Waste Commission
Ed Bear	Member	Hardin County Sanitary Solid Waste Disposal Commission
Jim Meade	Director (Resigned Feb. 2005)	

**Rural Iowa Waste Management Association**



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Independent Auditor's Report

To the Members of the Rural Iowa Waste  
Management Association:

We have audited the accompanying financial statement of the Rural Iowa Waste Management Association as of and for the year ended June 30, 2004. This financial statement is the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement 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 our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Rural Iowa Waste Management Association as of and for the year ended June 30, 2004, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 11, a special investigation of the Rural Iowa Waste Management Association was performed by the Office of Auditor of State for the period July 1, 1999 through October 15, 2004. Because this financial statement is prepared on the basis of cash receipts and disbursements, it includes the effects of certain disbursements which have been determined to be improper and unsupported.

As discussed in Note 10, during the year ended June 30, 2004, the Rural Iowa Waste Management Association adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2005 on our consideration of the Rural Iowa Waste Management Association'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 7 through 9 is not a required part of the financial statement, 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 required supplementary information. We did not audit the information and express no opinion thereon.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2005, except for  
Note 11, as to which the date  
is August 30, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Rural Iowa Waste Management Association provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Rural Iowa Waste Management Association is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

### 2004 FINANCIAL HIGHLIGHTS

- ◆ The Association's operating receipts increased 13%, or approximately \$157,000, from fiscal 2003 to fiscal 2004.
- ◆ The Association's operating disbursements increased 24%, or approximately \$144,000, from fiscal 2003 to fiscal 2004.
- ◆ Cash basis net assets increased 16%, or approximately \$123,000, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The Association has elected to present its financial statement on the 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 Association'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 this financial statement. 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 Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Association's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Rural Iowa Waste Management Association's financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Association's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Association's operating receipts and disbursements, non-operating receipts and disbursements and whether the Association's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

## FINANCIAL ANALYSIS OF THE COMMISSION

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

The purpose of the statement is to present the receipts received by the Association and the disbursements paid by the Association, both operating and non-operating. The statement also presents a fiscal snapshot of the Association's cash balance at year end. Over time, readers of the financial statement are able to determine the Association's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for tonnage fees from accepting solid waste and assessments from the members of the Association. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, debt proceeds, proceeds from the sale of equipment, equipment purchases, capital improvements and landfill expansion and debt service principal and interest payments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2004 and June 30, 2003 are presented below:

	Changes in Cash Basis Net Assets	
	Year ended June 30,	
	2004	2003
Operating receipts:		
Member fees	\$ 1,277,154	1,188,584
Gate fees	27,019	-
Reimbursements	25,050	-
State grant	18,254	-
Miscellaneous	3,472	4,960
Total operating receipts	<u>1,350,949</u>	<u>1,193,544</u>
Operating disbursements:		
Salaries and benefits	314,675	255,325
Travel, meetings and dues	9,391	12,364
Office equipment	13,543	3,504
Office supplies	3,022	-
Advertising and printing	226	1,032
Educational programs	31,377	-
Engineering and consulting services	21,878	30,294
Professional fees	8,468	4,971
Insurance	46,723	34,034
Utilities	9,507	14,484
Tonnage fees	118,063	102,066
Landfill maintenance	176,285	151,022
Total operating disbursements	<u>753,158</u>	<u>609,096</u>
Excess of operating receipts over operating disbursements	<u>597,791</u>	<u>584,448</u>
Non-operating receipts (disbursements):		
Interest on investments	13,278	14,349
Sale of land	12,000	12,000
Land sale proceeds returned to members	(12,000)	(13,000)
Sale of equipment	140,000	-
Equipment purchases	(422,161)	(700)
Capital improvements and landfill expansion	(145,460)	(139,684)
Loan proceeds	387,161	-
Debt service:		
Principal	(366,626)	(240,017)
Interest	(80,708)	(94,063)
Registrar fees	(300)	-
Net non-operating disbursements	<u>(474,816)</u>	<u>(461,115)</u>
Change in cash basis net assets	122,975	123,333
Cash basis net assets beginning of year	<u>773,661</u>	<u>650,328</u>
Cash basis net assets end of year	<u>\$ 896,636</u>	<u>773,661</u>

In fiscal 2004, operating receipts increased by \$157,405, or 13%. The increase was primarily a result of an increase in waste received, member fees and gate fees of \$115,769 and receiving an Iowa Department of Natural Resources grant for the first time in fiscal 2004. In fiscal 2004, operating disbursements increased by \$144,062, or 24%, from fiscal 2003.

The largest portion of the Association's net assets, 71%, is the restricted for closure and postclosure care, 11% is restricted for debt service and 6% is restricted for solid waste tonnage fees. State and federal laws and regulations require the Association to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (12%) are the unrestricted net assets that can be used to meet the Association's obligations as they come due. Restricted net assets increased \$145,201, or 23%, during the year. The increase was due to additional funds set aside for closure and postclosure care costs. Unrestricted net assets decreased \$22,226, or 17%, during the year due to equipment purchases.

### **LONG-TERM DEBT**

At June 30, 2004, the Association had \$570,000 of solid waste revenue bonds outstanding. The bonds were originally issued for the purpose of financing certain closure and postclosure costs and improvements. The Association also had \$428,202 of equipment loans and \$440,119 of installment purchase agreements outstanding at June 30, 2004.

### **ECONOMIC FACTORS**

Rural Iowa Waste Management Association 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 Association officials. Some of the realities that may potentially become challenges for the Association to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing 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 Association anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Association's ability to react to unknown issues.

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Rural Iowa Waste Management Association, 20488 M Avenue, Eldora, Iowa 50627.

**Rural Iowa Waste Management Association**

## **Financial Statement**

**Exhibit A**

Rural Iowa Waste Management Association  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2004

Operating receipts:	
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Miscellaneous	3,472
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Change in cash basis net assets	122,975
Cash basis net assets beginning of year	<u>773,661</u>
Cash basis net assets end of year	<u>\$ 896,636</u>
<b>Cash Basis Net Assets</b>	
Restricted for:	
Debt service	\$ 99,369
Solid waste tonnage fee	58,212
Closure and postclosure care	632,250
Total restricted net assets	<u>789,831</u>
Unrestricted	<u>106,805</u>
Total cash basis net assets	<u>\$ 896,636</u>

See notes to financial statement.

Rural Iowa Waste Management Association

Notes to Financial Statement

June 30, 2004

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

Rural Iowa Waste Management Association was formed in 1994 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Association is to effectively provide for the sanitary disposal of solid waste within the boundaries of Butler, Hardin, Wright and Hamilton Counties through the joint operation of a landfill site and the initiation of such other solid waste reduction or recycling programs as the member Commissions deem necessary and beneficial to the citizens they serve.

The Association is composed of one member from each of the following four commissions: Butler County Solid Waste Commission, Hardin County Sanitary Solid Waste Disposal Commission, Wright County Area Landfill Authority and Hamilton County Solid Waste Commission. Each commission shall appoint one member and one alternate to serve in the absence of their respective representative. Representatives and alternates shall serve for one year or until the Association receives a new written notification from the respective commission of the appointment of a new appointee.

A. Reporting Entity

For financial reporting purposes, the Rural Iowa Waste Management Association has included all funds, organizations, agencies, boards, commissions and authorities. The Association 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 Association are such that exclusion would cause the Association'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 Association 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 Association. The Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

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

Rural Iowa Waste Management Association maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Association 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 postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Association 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 Cash Receipts, Disbursements and Changes in Cash Basis Net Assets:

Cash Equivalents – The Association 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 Cash Basis Net Assets – Funds set aside for payment of closure and postclosure care, solid waste tonnage fees and funds required to be set aside by bond resolution are classified as restricted.

**(2) Cash and Investments**

The Association's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

**(3) Pension and Retirement Benefits**

The Association 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 covered salary and the Association is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$13,160, \$12,050 and \$11,775, respectively, equal to the required contributions for each year.

**(4) Compensated Absences**

Association employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the Association until used or paid. The Association's approximate liability to employees for earned sick leave at June 30, 2004 was \$350. This liability has been computed based on a payout wage of \$2.00 per hour in effect at June 30, 2004.

**(5) Closure and Postclosure Care**

To comply with federal and state regulations, the Association is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

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

These costs for the Rural Iowa Waste Management Association have been estimated at \$73,800 and \$579,000 for closure and postclosure, respectively, for the vertical expansion area and \$241,500 and \$399,000 for closure and postclosure, respectively, for the horizontal expansion area for a total of \$1,293,300. The estimated remaining life of the vertical expansion area is 4 years and the estimated remaining life of the horizontal expansion area is 9 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 Association has begun accumulating resources to fund these costs and, at June 30, 2004, assets of \$632,250 are restricted for these purposes. They are reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Association is required to demonstrate financial assurance for the unfunded costs. The Association has adopted the Dedicated Fund financial assurance mechanism. Under this mechanism, the Association must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

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 Association 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.

#### **(6) Solid Waste Tonnage Fees Retained**

The Association has established an account for restricting and using solid waste tonnage fees retained by the Association in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2004, the unspent amounts retained by the Association and restricted for the required purposes totaled \$23,212.

#### **(7) Risk Management**

The Association is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Association'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 Association's annual contributions to the Pool for the year ended June 30, 2004 were \$16,379.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event 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 Association does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Association's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

The Association also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The Association 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.

**(8) Solid Waste Revenue Bonds**

Annual debt service requirements to maturity for solid waste revenue bonds are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	5.60%	\$ 40,000	35,410	75,410
2006	5.75	40,000	33,170	73,170
2007	5.90	40,000	30,870	70,870
2008	6.00	45,000	28,510	73,510
2009	6.10	50,000	25,810	75,810
2010-2014	6.20-6.50	285,000	80,065	365,065
2015	6.50	70,000	4,550	74,550
Total		\$570,000	238,385	808,385

The resolution providing for the issuance of the revenue bonds requires the Association to maintain a debt service reserve fund of \$76,000. That amount was invested in a certificate of deposit as of June 30, 2004 and is reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

The Association also maintains a debt service fund savings account into which monthly transfers are made to accumulate enough funds to make the annual interest payment in December and annual interest and principal payment in June. That savings account had a balance of \$23,369 at June 30, 2004 and is reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

During the year ended June 30, 2004, \$35,000 of principal and \$37,335 of interest were paid.

**(9) Loans and Installment Purchases Payable**

Loans Payable

The Association has financed the purchase of equipment with loans from Hardin County Savings Bank. Annual payment requirements to maturity for the loans payable are as follows:

Year Ending June 30,	Compactor			Dozer			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2005	3.25%	\$ 73,657	10,523	6.50%	\$ 50,597	3,800	124,254	14,323
2006	3.25	76,080	8,099	6.50	26,544	654	102,624	8,753
2007	3.25	78,584	5,596	-	-	-	78,584	5,596
2008	3.25	81,162	3,017	-	-	-	81,162	3,017
2009	3.25	41,578	513	-	-	-	41,578	513
Total		\$351,061	27,748		\$ 77,141	4,454	428,202	32,202

During the year ended June 30, 2004, \$219,746 of principal and \$15,111 of interest were repaid.

Installment Purchase Agreements Payable

The Association has entered into installment purchase agreements to purchase two scrapers, a tractor/dozer and an excavator with historical costs of \$662,909, \$89,400 and \$167,027, respectively. The following is a schedule of the future minimum lease payments, including interest ranging from 5.5% to 6.0% per annum, and the present value of net minimum payments under the agreements in effect at June 30, 2004:

Year Ending June 30,	Scrapers	Tractor/ Dozer	Excavator	Total
2005	\$ 96,845	16,686	26,610	140,141
2006	96,845	12,515	26,610	135,970
2007	71,915	-	26,610	98,525
2008	47,091	-	26,610	73,701
2009	24,615	-	19,958	44,573
Total minimum installment payments	337,311	29,201	126,398	492,910
Less amount representing interest	(35,291)	(1,676)	(15,824)	(52,791)
Present value of net minimum installment payments	\$ 302,020	27,525	110,574	440,119

Payments under installment purchase agreements totaled \$140,142 for the year ended June 30, 2004.

**(10) Accounting Change**

For the year ended June 30, 2004, the Association 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 balance of the Association.

**(11) Special Investigation**

The Rural Iowa Waste Management Association Board requested the Office of Auditor of State to perform a special investigation of the Association as a result of findings included in a report issued by a law firm as a result of an investigation initiated by a member of the Association. The Auditor of State's special investigation identified \$85,735.21 of improper and unsupported disbursements and \$70,403.38 of questionable disbursements between July 1, 1999 and October 15, 2004. The improper and unsupported disbursements were not quantified by fiscal year. Copies of the Auditor of State's special investigation report were filed with the Hardin County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

**Rural Iowa Waste Management Association**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Members of the Rural Iowa Waste  
Management Association:

We have audited the financial statement of the Rural Iowa Waste Management Association as of and for the year ended June 30, 2004, and have issued our report thereon dated February 25, 2005. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Rural Iowa Waste Management Association's financial statement is 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 an instance of non-compliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings. We also noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Association. 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 Rural Iowa Waste Management Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Rural Iowa Waste Management Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A), (B), (D) and (E) are material weaknesses. The prior year reportable condition has not been resolved and is repeated as item (A).

This report, a public record by law, is intended solely for the information and use of the members and customers of the Rural Iowa Waste Management Association and other parties to whom the Association 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 the Rural Iowa Waste Management Association 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2005, except for  
Note 11, as to which the date  
is August 30, 2005

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

**Findings Related to the Financial Statement:**

**INSTANCES OF NON-COMPLIANCE:**

A special report dated August 30, 2005, covering the period July 1, 1999 through October 15, 2004, identified \$85,735.21 of improper and unsupported disbursements and \$70,403.38 of questionable disbursements by the Association. The improper and unsupported disbursements were not quantified by fiscal year.

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The Landfill Director has control over each of the following areas for the Association:

- (1) Payroll – preparation and distribution.
- (2) Disbursements - check preparation, distribution and posting.
- (3) Receipts – collecting, depositing, journalizing and posting.
- (4) Financial records – reconciliation of bank balances and maintenance of the Association's records.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Association should review its control activities to obtain the maximum internal control possible under the circumstances. In addition, Board Members should review financial records, perform reconciliations and examine supporting documentation for accounting records on a periodic basis.

Response – New policies and procedures are being implemented to enable more segregation of duties and more oversight by the Board members.

Conclusion – Response accepted.

(B) Reconciliation of Billings, Collections and Delinquencies – Billings, collections and delinquent accounts were not reconciled each month.

Recommendations – Procedures should be established to reconcile customer billings, collections and delinquencies on a monthly basis. The Board should review the reconciliations, monitor delinquencies and approve write-offs of uncollectible accounts.

Response – Rural Iowa Waste Management Association policies are being updated and expanded and will include procedures for reconciliations of the billings, collections and delinquent accounts.

Conclusion – Response accepted

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

- (C) Credit Cards – The Landfill Director has a credit card in Rural Iowa Waste Management Association’s name and his social security number. The Association has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The Association should adopt a formal written policy regulating the use of credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – All credit cards have been canceled and the accounts closed. At this time, Rural Iowa Waste Management Association intends to operate without credit cards and with a limited number of local vendor charge accounts. A policy detailing the staff authorized to charge is being developed. More thorough oversight of all charges is being provided now and in the future.

Conclusion – Response accepted.

- (D) Equipment and Inventory – A physical observation of equipment and inventory is not performed periodically by an employee having no responsibility for the assets. Written authorization is not required from the Association prior to disposing of assets. A detailed record of equipment and inventory is currently not maintained and identifying information is not placed on equipment.

Recommendation – Equipment and inventory should be observed periodically by an employee having no responsibility for the assets. Written authorization should be required before disposing of assets. A detail record of equipment and inventory should be maintained and identifying information should be affixed to the equipment.

Response – An inventory of the equipment will be conducted in the next few months. Procedures will be developed to check the inventory list at least annually against the equipment on-site. Equipment will be permanently marked as belonging to Rural Iowa Waste Management Association. A written policy will be developed for disposing of any equipment no longer required or needed by the Association operations.

Conclusion – Response accepted.

- (E) Disbursements – The following were noted during our review:

- (1) Disbursements were not approved by the Board prior to disbursement. The Association does not have a written disbursement approval policy allowing certain items to be paid prior to Board approval.
- (2) Invoices were not reviewed by the check signer prior to signing the check.
- (3) Unused checks were not safeguarded.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

- (4) Four disbursements were made directly from a savings account through the use of bank money orders.
- (5) Two vendors were listed on the checking account detail provided by the Association. However, the checks were made out to individuals. An invoice was provided listing a vendor that does not appear to exist.

Recommendation – Disbursements should not be made through the use of bank money orders and the Association should safeguard unused checks. The Association could adopt a written disbursement policy to allow payment of certain bills prior to Board approval. All Association disbursements should be approved by the Board prior to disbursement, with the exception of those specifically allowed by a policy. For those disbursements paid prior to Board approval, a listing should be provided to the Board at its next meeting for review and approval. Also, the Board should insure claims are sufficiently itemized from valid vendors and proper documentation accompanies all claims before the check is signed.

Response – Unused checks are now locked in a lockable file, which is unlocked only when an office person is working in the office. A disbursement policy and procedure is being developed. The policy will include a list of those routine payables that must be paid prior to the monthly Board meeting, a listing of which will be provided to the Board at each monthly meeting. All other invoices will be reviewed by the Rural Iowa Waste Management Association Board prior to their payment. The procedures will require adequate documentation for all payables and disbursements to individuals will be eliminated as much as possible, but at a minimum the Board will be providing more oversight of all disbursements.

Conclusion – Response accepted.

- (F) Accounting Policies and Procedures Manual – The Association does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – An official office procedures manual will be developed in the future.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

- (G) Information Systems – During our review of internal control, the existing control activities in the Association’s computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the Association’s computer based systems were noted:

The Association does not have written policies for:

- logging off unattended computers.
- requiring users to change their password every 60 to 90 days.
- requiring passwords to be at least a minimum of 6 characters.
- password privacy and confidentiality.
- backups of personal computer hard drives.
- requiring the use of an anti-virus program on computers.
- ensuring only software licensed to the Association is installed on computers.
- personal use of computer equipment and software.

Also, the Association does not have a written disaster recovery plan.

Recommendation – The Association should develop written policies addressing the above items in order to improve the Association’s control over computer based systems. A written disaster recovery plan should be developed.

Response – Procedures for the use of the Association computers will be developed and include requirements for backing up files, changing of passwords, and personal use of the computers. In addition, a plan will be developed to follow should a disaster result in the computers being inoperable.

Conclusion – Response accepted.

- (H) Payroll – Salaried personnel of the Association do not prepare and file timesheets. Payroll journals and compensated absences are not reviewed by the Board. One timesheet tested did not match the payroll records. In addition, salaries and wages were not approved in the minutes.

Recommendation – Timesheets should be prepared by all personnel, salaried as well as hourly, and should be submitted for approval prior to the processing of payroll each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor prior to submission. The timesheets should support all hours worked and all hours taken as vacation,

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

sick leave, compensatory time, holiday hours and personal days. The Board should also review employee's compensated absences balances at the end of the year. All salaries and wages should be approved in the minutes.

Response – All employees will be required to submit time cards. Each employee's compensation, including overtime and compensated absences, will be provided in a summary for Board review each month.

Conclusion – Response acknowledged. Approval of salaries and wages should be approved by the Board and included in the minutes.

- (I) Financial Reporting – In several instances, disbursements were netted against receipts. As a result, receipts and disbursements were understated in the Association's general ledger. Also, there were several disbursements posted to the incorrect account number. Reclassifications were made for reporting purposes.

Recommendation – Disbursements should not be netted against receipts and every effort should be made to ensure the disbursements are posted to the correct account number.

Response – The staff now responsible for the entering of receipts and disbursements in the general ledger program is receiving additional training on the software program. More care will be taken to ensure that disbursements are properly posted. The current expenditure accounts will be reviewed and appropriate revisions and additions made to the general ledger.

Conclusion – Response accepted.

- (J) Safeguarding Landfill Records – Accounting records, including certificates of deposits and titles to vehicles, were not stored in a secure place, such as a fireproof locked file. Undeposited receipts were not safeguarded.

Also, the Landfill does not have adequate fire protection. No smoke detectors or fire alarms were noted during the audit and annual inspections of fire extinguishers have not been performed.

Recommendation – Accounting records and undeposited receipts should be stored in a secure place, such as a fireproof locked file. The Association should ensure adequate fire protection is provided.

Response – A fireproof, locked file has been placed in the office and all appropriate documents and undeposited receipts are stored in it. Smoke detectors have now been installed in the office and break room and additional fire extinguishers provided. A program will be established to check the fire extinguishers and smoke detectors monthly, replace the smoke detector batteries semi-annually, and have the extinguishers inspected annually.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

(K) Receipts – Receipts were not always deposited timely.

Recommendation – Control over cash collections would be strengthened if receipts were deposited intact and timely.

Response – In the future receipts will be deposited at least once a week.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

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

- (1) Official Depositories – A resolution naming official depositories has been approved by the Association. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Disbursements – Except as noted on page 23, no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Association money for travel expenses of spouses of Association officials or employees were noted.
- (4) Business Transactions – The following business transactions between the Association and Association officials or employees was noted:

Name, Title and Business Connection	Transaction Description	Amount
Alan Clapp, Employee	Snow removal	\$ 250
	Rental of upstairs apartment	500
	Rental of flatbed trailer	175
Bruce Rewoldt, Employee	Use of pump	400
Alan Clapp, Employee, Relative is Felix Alfred Clapp	5 tires and rims	100
Jim Meade, Director	Iowa Waste Exchange grant contract labor	3,600
Michael Blandau, Board Member, Relative is Mackenzie L. Blandau	Contract litter control	450
Mike Welch, Employee	2 universal lift assemblies 2 rims and tires 2 cylinders hitch and three point drawbar	500

The transaction with Jim Meade was improper because Mr. Meade was paid a salary by the Association to perform all appropriate administrative services for the Landfill and all associated activities (including grants).

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

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

- (6) Association Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.

There were several instances where the Association minutes were not signed by the Landfill Director.

Recommendation – The Association minutes should be signed.

Response – All future minutes will be signed by the staff person recording them.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Association's investment policy were noted.

- (8) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2004, the Association did not use the solid waste fees in accordance with Chapters 455B.310(3) and (4) of the Code of Iowa. A down payment of \$35,000 on a Compactor was improperly disbursed. A corrective transfer was made to reimburse the solid waste fees account.

Recommendation – The Association should expend solid waste tonnage fees only for allowable items in accordance with the Code of Iowa.

Response – All future uses of the solid waste fees will be according to the uses allowed by the Code.

Conclusion – Response accepted.

- (9) Authorized Check Signer – The Rural Iowa Waste Management Association Board approved keeping a former Board Member on the bank signature cards when the individual was no longer a Board Member. This was done on the request of the Director since he was located in close proximity to the Rural Iowa Waste Management Association at the Hardin County Sanitary Solid Waste Commission.

Recommendation – Authorized check signers should be restricted to current Association employees or officials.

Response – The bank signature cards have already been updated to allow only active Board members to cosign. As Board members change, the signature cards will be updated accordingly.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2004

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Association to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Association retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Association should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The bank has been contacted and both the front and back of the cancelled checks will be received in the future.

Conclusion – Response accepted.

- (11) Financial Assurance – The Association has demonstrated financial assurance for closure and postclosure care costs by establishing a dedicated fund as required by Chapter 111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

	<b>Vertical Expansion</b>	<b>Horizontal Expansion</b>
Total estimated costs for closure and postclosure care	\$ 652,800	640,500
Less: Balance of funds held in the local dedicated fund at June 30, 2003	471,899	40,000
	<u>180,901</u>	<u>600,500</u>
Divided by the number of years remaining in the pay-in period	÷ 4	÷ 9
	45,225	66,722
Balance of funds held in the local dedicated fund at June 30, 2003	471,899	40,000
	<u>471,899</u>	<u>40,000</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2004	517,124	106,722
	<u>517,124</u>	<u>106,722</u>
Amount Association has restricted for closure and postclosure care at June 30, 2004	\$ 517,124	115,126
	<u>517,124</u>	<u>115,126</u>

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Rural Iowa Waste Management Association

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Billie Jo Heth, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State