



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 21, 2006

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 \$1,578,899 for the year ended June 30, 2005, a 17% decrease from 2004. The receipts included member contributions of \$1,471,607 and gate charges of \$40,685.

Disbursements for the year totaled \$1,316,650, a 26% decrease from the prior year, and included \$291,541 for salaries and benefits, \$354,129 for principal and interest and \$149,476 for capital improvements and landfill expansion.

A copy of the report is available for review at the Rural Iowa Waste Management Association, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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RURAL IOWA WASTE MANAGEMENT ASSOCIATION

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

JUNE 30, 2005

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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
J. Steve Wryte	Vice-Chairperson	Wright County Area Landfill Authority
Troy Hassebrock	Member	Hamilton County Solid Waste Commission
Ed Bear	Member	Hardin County Sanitary Solid Waste Disposal Commission
Jim Meade	Director (Resigned Feb. 2005)	
Cindy Turkle	Interim Director	

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, 2005. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 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 February 3, 2006 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, 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 considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 10 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 supplementary information. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 3, 2006

Rural Iowa Waste Management Association

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. We encourage readers to consider this information in conjunction with the Association's financial statement, which follows.

2005 FINANCIAL HIGHLIGHTS

- ◆ The Association's operating receipts increased 15.1%, or \$203,966, from fiscal 2004 to fiscal 2005.
- ◆ The Association's operating disbursements increased 6.3%, or \$47,587, from fiscal 2004 to fiscal 2005.
- ◆ Cash basis net assets increased 29.2%, or \$262,249, from June 30, 2004 to June 30, 2005.

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 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 the 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, readers 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 cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the 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 ASSOCIATION

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, 2005 and June 30, 2004 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2005	2004
Operating receipts:		
Member fees	\$ 1,471,607	1,277,154
Gate fees	40,685	27,019
Reimbursements	14,475	25,050
State grant	18,301	18,254
Miscellaneous	9,847	3,472
Total operating receipts	1,554,915	1,350,949
Operating disbursements:		
Salaries and benefits	291,541	314,675
Travel, meetings and dues	9,571	9,391
Office equipment	1,832	13,543
Office supplies	3,089	3,022
Advertising and printing	1,964	226
Educational programs	29,896	31,377
Engineering and consulting services	117,632	21,878
Professional fees	40,042	8,468
Insurance	46,088	46,723
Utilities	10,509	9,507
Tonnage fees	118,195	118,063
Landfill maintenance	123,954	176,285
Miscellaneous	6,432	-
Total operating disbursements	800,745	753,158
Excess of operating receipts over operating disbursements	754,170	597,791
Non-operating receipts (disbursements):		
Interest on investments	11,984	13,278
Sale of land	12,000	12,000
Land sale proceeds returned to members	(12,000)	(12,000)
Sale of equipment	-	140,000
Equipment purchases	-	(422,161)
Capital improvements and landfill expansion	(149,476)	(145,460)
Loan proceeds	-	387,161
Debt service:		
Principal	(282,491)	(366,626)
Interest	(71,638)	(80,708)
Registrar fees	(300)	(300)
Net non-operating disbursements	(491,921)	(474,816)
Change in cash basis net assets	262,249	122,975
Cash basis net assets beginning of year	896,636	773,661
Cash basis net assets end of year	\$ 1,158,885	896,636

In fiscal 2005, operating receipts increased by \$203,966, or 15.1%, over fiscal 2004. The increase was primarily a result of an increase in waste received, member fees and gate fees of \$208,119. In fiscal 2005, operating disbursements increased slightly by \$47,587, or 6.3%, from fiscal 2004. The increase was primarily due to an increase in engineering, consulting and professional fees of \$127,328. In addition, landfill maintenance disbursements decreased by \$52,331.

The largest portion of the Association's net assets, \$775,529 (66.9%), is restricted for closure and postclosure care, \$109,472 (9.4%) is restricted for debt service and \$82,994 (7.2%) 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, \$190,890 (16.5%), are the unrestricted net assets that can be used to meet the Association's obligations as they come due. Restricted net assets increased \$178,164, or 22.6%, during the year. The increase was due to additional funds being set aside for closure and postclosure care. Unrestricted net assets increased \$84,085, or 78.7%, during the year.

LONG-TERM DEBT

At June 30, 2005, the Association had \$1,155,830 in long-term debt outstanding compared to \$1,438,321 in 2004. The table below summarizes outstanding debt by type.

	June 30,	
	2005	2004
Solid waste revenue bonds	\$ 530,000	570,000
Loans payable	303,948	428,202
Installment purchase agreements payable	321,882	440,119
Total	<u>\$ 1,155,830</u>	<u>1,438,321</u>

ECONOMIC FACTORS

Rural Iowa Waste Management Association continued to improve its cash basis financial position during the current fiscal year. Additional improvement will occur as more management changes are implemented. 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 and equipment requiring constant maintenance and/or replacement.
- ◆ Annual deposits required for closure and postclosure care 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 one of transition as it makes important decisions regarding the future of solid waste in this planning area. The Association believes the long-term financial health of the organization includes the setting aside of funds to finance construction costs for future expansion areas and for equipment replacement, so that long-term debt is minimized in subsequent years.

CONTACTING THE ASSOCIATION'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 its 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, IA 50627.

Financial Statement

Rural Iowa Waste Management Association

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

Year ended June 30, 2005

Operating receipts:	
Member fees	\$ 1,471,607
Gate fees	40,685
Reimbursements	14,475
State grant	18,301
Miscellaneous	9,847
Total operating receipts	<u>1,554,915</u>
Operating disbursements:	
Salaries and benefits	291,541
Travel, meetings and dues	9,571
Office equipment	1,832
Office supplies	3,089
Advertising and printing	1,964
Educational programs	29,896
Engineering and consulting services	117,632
Professional fees	40,042
Insurance	46,088
Utilities	10,509
Tonnage fees	118,195
Landfill maintenance	123,954
Miscellaneous	6,432
Total operating disbursements	<u>800,745</u>
Excess of operating receipts over operating disbursements	<u>754,170</u>
Non-operating receipts (disbursements):	
Interest on investments	11,984
Sale of land	12,000
Land sale proceeds returned to members	(12,000)
Capital improvements and landfill expansion	(149,476)
Debt service:	
Principal	(282,491)
Interest	(71,638)
Registrar fees	(300)
Net non-operating disbursements	<u>(491,921)</u>
Change in cash basis net assets	262,249
Cash basis net assets beginning of year	<u>896,636</u>
Cash basis net assets end of year	<u>\$ 1,158,885</u>
Cash Basis Net Assets	
Restricted for:	
Debt service	\$ 109,472
Solid waste tonnage fee	82,994
Closure and postclosure care	775,529
Total restricted net assets	<u>967,995</u>
Unrestricted	<u>190,890</u>
Total cash basis net assets	<u>\$ 1,158,885</u>

See notes to financial statement.

Rural Iowa Waste Management Association

Notes to Financial Statement

June 30, 2005

(1) Summary of Significant Accounting Policies

The 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

The 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. 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, 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.

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, as amended by Statement No. 40.

(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 salary and the Association is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$11,442, \$13,160 and \$12,050, respectively, equal to the required contribution 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 sick leave payout wage is \$2.00 per hour effective June 30, 2005. The Association did not compute the employees' sick leave balances as of June 30, 2005.

(5) Closure and Postclosure Care Costs

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

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

These costs for the Association have been estimated to be \$73,800 and \$558,000 for closure and postclosure, respectively, for the vertical expansion area and \$216,800 and \$375,000 for closure and postclosure, respectively, for the horizontal expansion area for a total of \$1,223,600 as of June 30, 2005. The estimated remaining life of the vertical expansion area is 3 years and the estimated remaining life of the horizontal expansion area is 8 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 accounts to accumulate resources for the payment of closure and postclosure care costs. The Association has begun to accumulate resources to fund these costs and, at June 30, 2005, assets of \$775,529 are restricted for these purposes. They are reported as restricted cash basis net assets on the Statement of 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 57-111.8(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 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, 2005, the unspent amounts retained by the Association and restricted for the required purposes totaled \$82,994.

(7) Risk Management

The Association 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 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 contributions to the Pool for the year ended June 30, 2005 were \$16,984.

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.

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. 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.

The Association also carries commercial insurance purchased from another insurer 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
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	6.20	50,000	22,760	72,760
2011-2015	6.30-6.50	305,000	61,855	366,855
Total		\$ 530,000	202,975	732,975

The resolution providing for the issuance of the revenue bonds requires the Association to maintain a debt service fund of \$76,000. That amount was invested in a certificate of deposit as of June 30, 2005 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 \$33,472 at June 30, 2005 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, 2005, \$40,000 of principal and \$35,410 of interest were paid.

(9) Loans and Installment Purchases Agreements 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
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		\$ 277,404	17,225		\$ 26,544	654	303,948	17,879

During the year ended June 30, 2005, \$124,254 of principal and \$14,323 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, 2005:

Year Ending June 30,	Scrapers	Tractor/ Dozer	Excavator	Total
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	240,466	12,515	99,788	352,769
Less amount representing interest	(20,350)	(367)	(10,170)	(30,887)
Present value of net minimum installment payments	\$ 220,116	12,148	89,618	321,882

Payments under installment purchase agreements totaled \$140,141 for the year ended June 30, 2005.

(10) Construction Commitments

The Association has entered into a construction contract totaling \$278,335 for expansion of the Rural Iowa Sanitary Landfill. As of June 30, 2005, no payments had been made on the contract. Payments on the contract will be made as the project progresses.

(11) Subsequent Event

In December 2004, the Association received notification from the Hamilton County Solid Waste Commission (HCSWC) of its intent to withdraw from the Association effective July 1, 2005. HCSWC is no longer a participating member of the Association. As of February 3, 2006, HCSWC and the Association have not agreed upon costs to be incurred by HCSWC for its withdrawal from the Association.

(12) 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.



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STATE OF IOWA

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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 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, 2005, and have issued our report thereon dated February 3, 2006. 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 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 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 an opinion 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 statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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), (C) and (D) are material weaknesses.

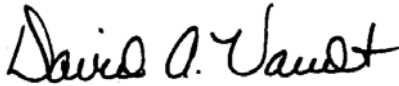
Compliance and Other Matters

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, contracts and grant agreements, 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 or other matters 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 or other matters that are described in the accompanying Schedule of Findings.

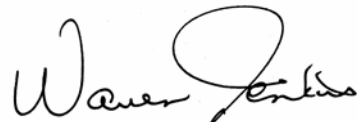
Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Association. Since our audit was based on tests and samples, 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.

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 3, 2006

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2005

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. For the majority of the fiscal year, one of three people had 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 – We have already incorporated more segregation of duties by using a private accounting company for writing checks, reviewing deposits and conducting the financial activities. We also have two individuals reviewing all invoices and the time cards. We provide a summary of invoices to be paid as well as the actual invoices for the Board members to review and approve each month. We will continue to try to provide additional oversight by the Board.

Conclusion – Response accepted.

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

Recommendation – 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 – We have incorporated procedures for all accounting activities. We will develop a written procedure in the coming year to formalize these activities. The Board is made aware of any delinquencies and does approve the writing off of any delinquent and non-collectable accounts.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2005

- (C) 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 all 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 detailed record of equipment and inventory should be maintained and identifying information should be affixed to the equipment.

Response – An equipment inventory will be conducted on at least an annual basis by an employee having no responsibility for the assets. We have already implemented procedures for disposal of assets, including authorization by the Board prior to any assets being liquidated. An equipment inventory has been developed and will be updated. New equipment is being inscribed with the Rural Iowa Waste Management Association (RIWMA) identifying marks.

Conclusion – Response accepted.

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

- (1) Disbursements were not approved by the Board prior to disbursement. The Association did not have a written disbursement approval policy allowing certain items to be paid prior to Board approval until April 2005.
- (2) Invoices were not reviewed by the check signer prior to signing the check.
- (3) The Association has a written policy stating “checks drawn on the Association’s checking account that are in excess of \$500 shall require two signatures.” Two checks exceeding \$500 did not have two signatures.
- (4) The supporting invoices for two items selected could not be located.

Recommendation – All Association disbursements should be reviewed and 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. The Board should ensure proper documentation accompanies all claims before the check is signed and that checks exceeding \$500 have the required two signatures.

Response – The incidences that were noted were conducted by previous employees. Since new management has taken over all invoices are approved by two individuals. In addition, all disbursements are approved by the Board prior to payment except for those routine ones that have been approved ahead of time by resolution. All checks are now required to have two signatures. All invoices are retained and support any and all checks written.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2005

- (E) 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 accounting policy and procedures manual will be developed during the coming year.

Conclusion – Response accepted.

- (F) 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:

- 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.

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 – A computer usage policy will be developed in the coming year. Because all accounting is conducted by a private accounting firm, the staff's need for a computer is minimal. The Association has an Emergency Response and Remedial Action Plan that discusses alternative methods for handling scale transactions should the computer and/or scale be inoperable. Otherwise, the need for the computer and the need for a disaster recovery plan are minimal.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2005

(G) Payroll – The following were noted during our review:

- (1) Salaries and wages were not approved in the minutes.
- (2) Salaried personnel of the Association do not prepare and file timesheets or timecards.
- (3) Timecards are not approved by the employee's supervisor.
- (4) Payroll journals are not reviewed by the Board.
- (5) Compensated absence balances were not maintained after March 2005.
- (6) One timecard tested did not agree to the payroll journal.

Recommendation – Timesheets or timecards 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 or timecards should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor prior to submission. The timesheets or timecards should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days. The Association should establish procedures for maintaining compensated absences balances. The Board should also review payroll journals and employee's compensated absences balances. All salaries and wages should be approved in the minutes.

Response – Under the new management, all employees use a timecard to record hours worked. All timecards are reviewed and approved by the Operations Supervisor and the Interim Director. Payroll journals will be provided to the Board for review in the future. With the new accounting system, the private accountant is tracking all compensated absence balances. Salaries and wages are now detailed in the annual budget and approved by the Board.

Conclusion – Response accepted.

(H) 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. 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.

Response – Under the new management, a private accounting firm has been retained to post and maintain all accounts. Two staff members review all receipts and disbursements and strive to record the proper account number.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2005

- (I) Safeguarding Association 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.

Recommendation – Accounting records and undeposited receipts should be stored in a secure place, such as a fireproof locked file.

Response – During the winter of 2005, a fireproof locked file was purchased and placed in the office for the storage and protection of documents. In addition, during the summer of 2005, a bank deposit box was rented and most of the documents were transferred to it. Certificates of deposits and titles are stored in the bank deposit box. All receipts are stored in the fireproof locked file until deposited.

Conclusion – Response accepted.

- (J) Legal Fees – The Association paid \$2,777 to a law firm for two invoices that were addressed to Wright County Area Landfill Authority. Of this amount, the invoice for \$435 was paid twice.

Recommendation – The Association should ensure payments are for services provided on behalf of the Association. In addition, the Association should follow their established procedures for canceling invoices to prevent duplicate payment. The Association should also contact independent legal counsel regarding the disposition of this matter.

Response – The errors made regarding these invoices were the actions of past staff. Current staff is carefully reviewing all invoices. Payment dates and check numbers are being carefully recorded on the invoices to assure duplicate payments do not occur. The RIWMA will pursue reimbursement for the incorrect payments.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to 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, 2005.

However, the Association did not adopt a new depository resolution prior to obtaining a certificate of deposit at Iowa State Bank.

Recommendation – The Association should adopt a new depository resolution prior to investing funds at a financial institution not included on the depository resolution.

Response – Under the new management, the depository resolution has been updated to reflect all the appropriate financial institutions. The approved depositories will be updated when appropriate.

Conclusion – Response accepted.

- (2) Questionable Disbursements – In addition to the items noted on page 23, we noted a disbursement that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Eldora Flowers & Gifts	Plant for official	\$27

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Association should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Association should establish written policies and procedures which document the public purpose served.

Response – Such expenditures will not be made in the future. A written policy and procedures will be developed in the coming year.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of Association money for travel expenses of spouses of Association officials or employees were noted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2005

- (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
Jim Meade, former Director	Iowa Waste Exchange grant contract labor	\$ 1,500
Mike Welch, Employee, Relative is Joni Welch	Haul loads of leachate	600
Bruce Rewoldt, Employee	3 steel grating floors 2 tires	340
Alan Clapp, former Employee, Relative is Sue Clapp	Computer work	188

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.
- (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 Association Director.

Recommendation – The Association minutes should be signed.

Response – Under the new management, all Association Board minutes are being signed by the Interim Director and the official Secretary.

Conclusion – Response accepted.

- (7) Deposits and Investments – Except as noted in item (1), 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, 2005, the Association used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.

The Iowa Department of Natural Resources (DNR) Quarterly Solid Waste Fee Schedule & Retained Fees Report were not always filled out completely or accurately. The fees retained for waste reduction, recycling and small business pollution prevention section was not filled out for the quarters ending September 30, 2004 and December 31, 2004. Additionally, the balances carried over from the prior quarter in this section do not agree to the prior quarter report.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2005

Recommendation – The Association should ensure that the DNR Quarterly Solid Waste Fee Schedule & Retained Fees Report is filled out completely and accurately.

Response – Under the new management, the DNR Quarterly Fee Schedule and Retained Fees Report is being completed properly and carry over balances are being tracked.

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 at 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. Additionally, one of the savings account bank signature cards has not been updated to remove former employees and officials.

Recommendation – Authorized check signers should be restricted to current Association employees or officials. All bank signature cards should be updated to include only current Association employees or officials.

Response – All check signature cards have been updated. Only those individuals formally approved by the Board will be allowed to sign checks. The savings account in question was transferred to another bank and only a loan is still current at the institution in question. All signature cards will be updated as Board members change.

Conclusion – Response accepted.

- (10) Financial Assurance – The Association has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as required in Chapter 567-111.6(9) of the Iowa Administrative Code (IAC). The calculation is made as follows:

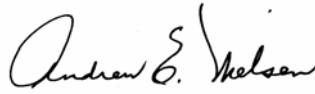
	Vertical Expansion	Horizontal Expansion
Total estimated costs for closure and postclosure care	\$ 631,800	591,800
Less: Balance of funds held in the local dedicated fund at June 30, 2004	517,124	115,126
	114,676	476,674
Divided by the number of years remaining in the pay-in period	÷ 3	÷ 8
Required payment into the local dedicated fund for the year ended June 30, 2005	38,225	59,584
Balance of funds held in the local dedicated fund at June 30, 2004	517,124	115,126
Balance of funds required to be held in the local dedicated fund at June 30, 2005	\$ 555,349	174,710
Amount Association has restricted and reserved for closure and postclosure care at June 30, 2005	\$ 555,349	220,180

Rural Iowa Waste Management Association

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Kimberly M. Knight, CPA, Senior Auditor
Dorothy O. Stover, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State