OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE December 1, 2008

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 revenues of $1,508,163 for the year ended June 30, 2008, a .5% decrease from the prior year. Revenues included member contributions of $877,276, gate fees of $563,413 and interest income of $64,941.

Expenses totaled $1,191,966 for the year ended June 30, 2008, a 28% increase over the prior year, and included $353,502 for closure and post-closure care, $258,359 for depreciation and $157,905 for salaries and benefits. The significant increase in expenses was primarily due to an increase in closure/post closure care expenses.

A copy of the audit report is available for review in the Rural Iowa Waste Management Association's office, 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
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

0814-2348-B00F

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Rural Iowa Waste Management Association

Officials

Name	Title	Representing
John Zimmerman	Chairperson	Butler County Solid Waste Commission
Jody Anderson	Vice Chairperson	Hardin County Sanitary Solid Waste Disposal Commission
Ed Bear	Member	Hardin County Sanitary Solid Waste Disposal Commission
Bob Greenlee	Member	Butler County Solid Waste Commission
Dan Aastrup	Landfill Manager	

Rural Iowa Waste Management Association

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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

To the Members of the
Rural Iowa Waste Management Association:

We have audited the accompanying financial statements of the Rural Iowa Management Association as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Iowa Waste Management Association at June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2008 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 basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

David A. Vaudt

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 28, 2008

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 statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS.

- The Association's operating revenues for fiscal year 2008 were $1,443,222, $470,290 more than operating revenues of $972,932 for fiscal year 2007. The increase is due to an increase in gate fees of approximately $479,000 due to the Parkersburg tornado, area flooding and an ethanol spill.

- The Association's operating expenses for fiscal year 2008 were $1,148,058, $260,717 more than fiscal year 2007 operating expenses. This is primarily due to an increase of closure/post closure care expenses of approximately $319,000.

- The Association's net assets at June 30, 2008 were $1,611,157, an increase of $316,197 over the net asset balance of $1,294,960 at June 30, 2007.

USING THIS ANNUAL REPORT

The Rural Iowa Waste Management Association is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Rural Iowa Waste Management Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an overview of the Association's financial activities.

The Statement of Net Assets presents information on the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

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

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

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

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Association's financial position. The Association's net assets at the end of fiscal 2008 totaled approximately $1.6 million. This compares to approximately $1.3 million at the end of fiscal year 2007.

Net Assets	June 30, 2008	June 30, 2007
Assets		
Current assets	$ 820,676	804,052
Noncurrent restricted cash and investments	1,053,113	1,038,607
Noncurrent receivable	4,000	16,000
Capital assets at cost, less accumulated depreciation	1,981,053	1,575,908
Total assets	3,858,842	3,434,567
Liabilities		
Current liabilities	177,252	306,452
Noncurrent liabilities	2,070,433	1,833,155
Total liabilities	2,247,685	2,139,607
Net assets		
Invested in capital assets, net of related debt	1,692,424	1,178,668
Restricted	146,638	149,955
Unrestricted	(227,905)	(33,663)
Total net assets	$ 1,611,157	1,294,960

The largest portion of the Association's net assets is invested in capital assets (e.g. land, land improvements, buildings and equipment), less the related debt. A portion of the Association's net assets is restricted for debt and for tonnage fees held. State and federal laws and regulations require the Association to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net assets are unrestricted net assets, which reflect a deficit balance to the extent the Association has reported noncurrent liabilities for landfill closure and postclosure care. The negative unrestricted net asset balance is primarily attributable to the Association's issuance of debt for assets which are not capitalized.

Statement of Revenues, Expenses and Changes in Net Assets

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

A summary of revenues, expenses and changes in net assets is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2008	2007
Operating revenues:		
Member fees	$ 877,276	869,290
Gate fees	563,413	84,222
Other operating revenues	2,533	19,420
Total operating revenues	1,443,222	972,932
Operating expenses:		
Salaries and benefits	157,905	141,914
Travel, meetings and dues	2,833	2,189
Office supplies and postage	2,295	3,717
Advertising and printing	344	1,061
Engineering and consulting services	-	33,492
Professional fees	22,149	166,107
Insurance	47,619	27,154
Utilities	12,822	13,653
Tonnage fees	88,728	78,016
Landfill maintenance	120,419	85,453
Equipment repair and maintenance	72,027	72,382
Closure and postclosure care	353,502	34,674
Depreciation	258,359	216,984
Miscellaneous	9,056	10,545
Total operating expenses	1,148,058	887,341
Operating income	295,164	85,591
Non-operating revenues (expenses):		
Interest income	64,941	58,003
Gain on sale of capital assets	-	40,617
Land contract	(12,000)	-
County settlement reimbursements	-	444,264
Interest expense	(31,908)	(41,965)
Net non-operating revenues	21,033	500,919
Change in net assets	316,197	586,510
Net assets beginning of year	1,294,960	708,450
Net assets end of year	$ 1,611,157	1,294,960

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

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing and investing activities. Cash provided by operating activities includes member contributions and gate fees reduced by payments to employees and to suppliers. Cash provided by noncapital financing activities includes County settlement reimbursements. Cash used for capital and related financing activities includes the sale of capital assets reduced by principal and interest payments on loans and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2008, the Association had $1,981,053 invested in capital assets, net of accumulated depreciation of $1,319,174. Depreciation charges totaled $258,359 for fiscal year 2008. More detailed information about the Association's capital assets is presented in Note 6 to the financial statements.

LONG-TERM DEBT

At June 30, 2008, the Association had $2,162,011 in debt outstanding compared to $1,981,317 at June 30, 2007. The table below summarizes outstanding debt by type.

	June 30,	
	2008	2007
Revenue bonds payable	$ 405,000	450,000
Note payable	41,578	122,740
Land contract payable	50,000	38,000
Closure and postclosure care	1,665,433	1,370,577
Total	$ 2,162,011	1,981,317

Additional information about the Association's long-term debt is presented in Notes 7 and 8 to the financial statements.

ECONOMIC FACTORS

The 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 and equipment require constant maintenance and upkeep.
- State regulations continue to change, requiring revised design and operational plans, additional monitoring expenses and increases in operating costs.
- Annual deposits required for closure and postclosure care 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 ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, 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, IA 50627.

Basic Financial Statements

Rural Iowa Waste Management Association

Statement of Net Assets

Year ended June 30, 2008

Assets	
Current assets:	
Cash and cash equivalents	$ 490,330
Restricted cash	60,194
Receivables:	
Accounts	253,858
Land contract	13,000
Prepaid expense	3,294
Total current assets	820,676
Noncurrent assets:	
Restricted investments	1,053,113
Land contract receivable	4,000
Capital assets (net of accumulated depreciation)	1,981,053
Total noncurrent assets	3,038,166
Total assets	3,858,842
Liabilities	
Current liabilities:	
Accounts payable	85,674
Current portion of:	
Revenue bonds payable	50,000
Note payable	41,578
Total current liabilities	177,252
Noncurrent liabilities:	
Revenue bonds payable	355,000
Land contract payable	50,000
Landfill closure and postclosure care	1,665,433
Total noncurrent liabilities	2,070,433
Total liabilities	2,247,685
Net assets	
Invested in capital assets, net of related debt	1,692,424
Restricted for:	
Debt service	93,331
Tonnage fees retained	53,307
Unrestricted	(227,905)
Total net assets	$ 1,611,157

See notes to financial statements.

Rural Iowa Waste Management Association

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2008

Operating revenues:	
Member fees	$ 877,276
Gate fees	563,413
Other operating revenues	2,533
Total operating revenues	1,443,222
Operating expenses:	
Salaries and benefits	157,905
Travel, meetings and dues	2,833
Office supplies and postage	2,295
Advertising and printing	344
Professional fees	22,149
Insurance	47,619
Utilities	12,822
Tonnage fees	88,728
Landfill maintenance	120,419
Equipment repair and maintenance	72,027
Closure and postclosure care	353,502
Depreciation	258,359
Miscellaneous	9,056
Total operating expenses	1,148,058
Operating income	295,164
Non-operating revenues (expenses):	
Interest income	64,941
Land contract	(12,000)
Interest expense	(31,908)
Net non-operating revenues	21,033
Change in net assets	316,197
Net assets beginning of year	1,294,960
Net assets end of year	$ 1,611,157

See notes to financial statements.

Rural Iowa Waste Management Association

Statement of Cash Flows

Year ended June 30, 2008

Cash flows from operating activities:	
Cash received from member fees	$ 901,206
Cash received from gate fees	388,609
Cash paid to suppliers for goods and services	(439,619)
Cash paid to employees for services	(157,905)
Net cash provided by operating activities	692,291
Cash flows from noncapital financing activities:	
County settlement reimbursements	200,864
Cash flows from capital and related financing activities:	
Sale of land	12,000
Principal paid on revenue bonds	(45,000)
Interest paid on revenue bonds	(28,510)
Principal paid on other debt	(81,162)
Interest paid on other debt	(3,398)
Purchase of capital assets	(638,266)
Net cash used for capital and related financing activities	(784,336)
Cash flows from investing activities:	
Interest received	136,305
Net increase in cash and cash equivalents	245,124
Cash and cash equivalents beginning of year	305,400
Cash and cash equivalents end of year	$ 550,524
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 295,164
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	258,359
Closure and postclosure care	294,856
Changes in assets and liabilities:	
Decrease in accounts receivable	(153,408)
Decrease in prepaid expense	6,774
Increase in accounts payable	(9,454)
Total adjustments	397,127
Net cash provided by operating activities	$ 692,291

Noncash capital financing activities:

Legal fees for County settlement reimbursements of $88,400.

See notes to financial statements.

(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 and Hardin 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 two commissions: Butler County Solid Waste Commission and Hardin County Sanitary Solid Waste Disposal 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.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the 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 statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the 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 used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Association applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Association distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and 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. Cash investments not meeting the definition of cash equivalents at June 30, 2008 include certificates of deposit of $1,053,113.

Restricted Investments – Funds set aside for revenue bond principal and interest payments and payment of closure and postclosure care costs are classified as restricted.

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

Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	39
Equipment and vehicles	2 - 30
Land improvements	5 - 10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2008.

(2) Cash and Investments

The Association's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The 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 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 3.90% of their annual covered salary and the Association is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were $9,119, $6,790 and $6,021, 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. The Association's sick leave payout wage is $2.00 per hour with a maximum payout of $3,000 subject to Board approval. The Association did not compute the employees' sick leave balances as of June 30, 2008 because the amount is considered to be immaterial.

(5) Land Contract Receivable and Payable

On October 30, 2001, the Association entered into an agreement to sell real estate to the Hardin County Sanitary Solid Waste Disposal Commission (Commission) for $100,000. The agreement requires monthly payments of $1,000, interest-free, from July 1, 2001 to October 1, 2009. At June 30, 2008, the balance of $17,000 owed to the Association, which included a delinquent installment of $1,000 that was paid in July 2008, was due as follows:

Year Ending June 30,	Amount
2009	$ 13,000
2010	4,000
Total	$ 17,000

The payments received from the Commission are to be paid to the remaining Association members quarterly. During the year, no payments were made, resulting in a payable at June 30, 2008 of $50,000.

(6) Capital Assets

A summary of capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Balance End of Year
Capital assets not being depreciated:			
Land	$ 152,445	-	152,445
Construction in progress	-	20,733	20,733
	152,445	20,733	173,178
Capital assets being depreciated:			
Buildings	120,000	-	120,000
Land improvements	748,390	628,271	1,376,661
Equipment and vehicles	1,615,888	14,500	1,630,388
Total capital assets being depreciated	2,484,278	642,771	3,127,049
Less accumulated depreciation for:			
Buildings	30,769	3,077	33,846
Land improvements	578,568	182,262	760,830
Equipment and vehicles	451,478	73,020	524,498
Total accumulated depreciation	1,060,815	258,359	1,319,174
Total capital assets being depreciated, net	1,423,463	384,412	1,807,875
Capital assets, net	$ 1,575,908	405,145	1,981,053

(7) 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
2009	6.10%	$ 50,000	25,810	75,810
2010	6.20	50,000	22,760	72,760
2011	6.30	55,000	19,660	74,660
2012	6.40	55,000	16,195	71,195
2013	6.50	60,000	12,675	72,675
2014-2015	6.50	135,000	13,325	148,325
Total		$ 405,000	110,425	515,425

The resolution providing for the issuance of the revenue bonds requires the Association to maintain a debt service fund of $76,000. The Association had $86,444 invested in a certificate of deposit as of June 30, 2008 which is included in restricted net assets in the Statement of Net Assets.

The Association also maintains a debt service fund savings account into which monthly transfers are made to accumulate sufficient funds to make the annual interest payment in December and the annual interest and principal payment in June. The savings account had a balance of $6,887 at June 30, 2008, which is included in restricted net assets on the Statement of Net Assets.

During the year ended June 30, 2008, $45,000 of principal and $28,510 of interest was paid.

(8) Note Payable

The Association financed the purchase of a compactor with a loan from Security State Bank evidenced by a note. Annual payment requirements to maturity for the note are as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2009	3.25	$	41,578	513	42,091

During the year ended June 30, 2008, $81,162 of principal and $3,017 of interest were paid on the note.

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

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 for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Association have been estimated at $699,000 for post closure care for the vertical expansion area, $293,300 and $297,000 for closure and postclosure care, respectively, for the horizontal expansion area – phase A and B and $206,800 and $207,000 for closure and postclosure care, respectively, for the horizontal expansion area – phase C, for a total of $1,703,100 as of June 30, 2008, and the portion of the liability that has been recognized is $1,665,433. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2008. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the horizontal expansion area – phase A and B is 5 years and the estimated remaining life of the horizontal expansion area – phase C is 8 years. The capacity used at June 30, 2008 in the vertical expansion area is 100 percent, in the horizontal expansion area – phase A and B is 96 percent and in the horizontal expansion area – phase C is 88 percent.

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, 2008, assets of $966,669 are restricted for these purposes. They are reported as restricted cash and investments on the Statement of Net Assets. The Association made additional deposits within 30 days of the end of the fiscal year in the amount of $145,956 for a total restricted amount of $1,112,625 as of July 31, 2008.

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 mechanism.

Chapter 57-111.8(7) of the IAC allows the Association 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.

(10) 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, 2008, the unspent amounts retained by the Association and restricted for the required purposes totaled $53,307.

(11) 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 563 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 200 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 which 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 Pool for the year ended June 30, 2008 were $16,714.

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 $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim and $10,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 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. 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, 2008, no liability has been recorded in the Association's financial statements. As of June 30, 2008, 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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.

(12) Construction Commitments

During the year ended June 30, 2008, the Association entered into a contract for $1,094,960 for the Trench 1 & 2 Horizontal Expansion. At June 30, 2008, $20,733 of the contract had been completed. The remaining $1,074,227 will be paid as work progresses.

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

Rural Iowa Waste Management Association

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 statements of the Rural Iowa Waste Management Association as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Rural Iowa Waste Management Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rural Iowa Waste Management Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Rural Iowa Waste Management Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Rural Iowa Waste Management Association's financial statements that is more than inconsequential will not be prevented or deleted by the Rural Iowa Waste Management Association's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Rural Iowa Waste Management Association's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

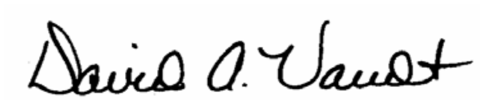
As part of obtaining reasonable assurance about whether the Rural Iowa Waste Management Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could 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 no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we 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, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements 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.

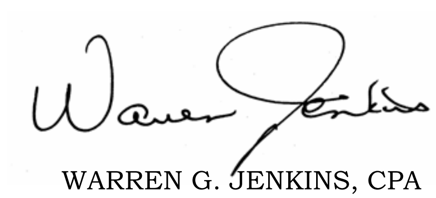
The Rural Iowa Waste Management Association's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Association's responses, we did not audit the Rural Iowa Waste Management Association's responses and, accordingly, we express no opinion on them.

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

October 28, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(A) Financial Reporting – A material amount of accruals were not initially reported in the Association's financial statements. Adjustments were subsequently made by the Association to report the financial activity on an accrual basis. In addition, the accounts receivable and sick leave accrual listings are not maintained or reviewed.

Recommendation – The Association should implement procedures to ensure the financial activity is reported in the financial statements on the accrual basis of accounting. In addition, the Association should ensure listings are being maintained to ensure accuracy and completeness.

Response – We will continue to work with Nissly and Nissly by providing them with information they need to report financial activity.

Conclusion – Response accepted.

(B) Capital Assets – A physical observation of capital assets is not performed periodically by an employee having no responsibility for capital assets. Also, the Association does not have a written capital asset policy, including capitalization thresholds and useful lives for classes of assets. In addition, the Association does not have an independent person review the capital asset listing.

Recommendation – Capital assets should be observed periodically by an employee having no responsibility for the assets. This observation should include ensuring the listing of assets at year end is accurate and complete. Also, the Association should develop a written capital asset policy to identify capitalization thresholds and useful lives for classes of assets.

Response – We will do an observation each year of the capital assets. Currently, we have taken photos of our equipment so observation by an independent person could be done easily. A written capital asset policy will be developed.

Conclusion – Response accepted.

(C) 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 manual will be developed with the assistance of Nissly and Nissly.

Conclusion – Response accepted.

(D) Information Systems – The Association does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – A disaster recovery plan will be developed.

Conclusion – Response accepted.

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

(1) Compensated absence balances were not maintained.

(2) The Association does not review payroll. Therefore, the Landfill Manager signs his own timecard.

Recommendation – The Association should establish procedures for maintaining compensated absence balances. Also, payroll should be reviewed by the Association to ensure accuracy and completeness.

Response – 1) We will continue to work with Nissly and Nissly to maintain compensated absences balances. 2) We will make sure payroll is reviewed.

Conclusion – Response accepted.

(F) Fees – Cash received from tarping fees and tipping fees were not deposited, but instead were used for petty cash expenses.

Recommendation – All money received from tarping and tipping fees should be recorded as a receipt on the Association's financial statements. Also, the Association's petty cash should be operated on an imprest basis.

Response – All cash now received is deposited.

Conclusion – Response accepted.

(G) Investment Register – An investment register is not maintained to include detailed information for all investments on hand and interest received on each investment.

Recommendation – The Association should maintain a detailed register of each investment purchased and redeemed, including the investment number, interest rate, date purchased, maturity date and amount of investment.

Response – We will develop with the assistance of Nissly and Nissly an investment register.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(2) Travel Expense – No expenditures of money for travel expenses of spouses of Association officials or employees were noted.

(3) Association Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not. However, none of the Association minutes were signed by the Chairperson.

Recommendation – The Association minutes should be signed by the Chairperson.

Response – We will ensure the minutes are signed by a board member.

Conclusion – Response accepted.

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

(5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

(6) Revenue Bonds – No instances of non-compliance with the solid waste revenue bond requirements for the year ended June 30, 2008 were noted.

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

	Vertical Expansion	Horizontal Expansion - Phase A and B	Horizontal Expansion - Phase C
Total estimated costs for closure and postclosure care	$ 699,000	590,300	413,800
Less: Balance of funds held in the local dedicated fund at June 30, 2007	598,800	262,660	93,473
	100,200	327,640	320,327
Divided by the number of years remaining in the pay-in period	÷ 1	5	8
Required payment into the local dedicated fund for the year ended June 30, 2008	100,200	65,528	40,041
Balance of funds held in the local dedicated fund at June 30, 2007	598,800	262,660	93,473
Required balance of funds to be held in the local dedicated fund at June 30, 2008	$ 699,000	328,188	133,514
Amount Association has restricted for closure and postclosure care at June 30, 2008	$ 699,000	219,042	48,627

Recommendation – The Association should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Administrative Code requirements. The Association made a deposit of $145,956 in July 2008 and should deposit an additional $48,077 to comply with the Iowa Administrative Code requirements.

Response – Financial assurance will be maintained.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Billie Jo Heth, Senior Auditor II
Janet K. Mortvedt, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State