



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

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NEWS RELEASE

FOR RELEASE March 27, 2007

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

The Association had total revenues of \$1,755,439 for the year ended June 30, 2006, which included member contributions of \$1,146,492, member reimbursement for landfill cell expansion of \$100,000 and gain on sale of capital assets of \$375,869.

Expenses totaled \$1,173,959, which included \$307,853 for depreciation, \$155,746 for salaries and benefits and \$117,935 for closure and postclosure care costs.

A copy of the 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, 2006

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Rural Iowa Waste Management Association

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
John Zimmerman	Chairperson	Butler County Solid Waste Commission
J. Steve Wryte	Vice-Chairperson	Wright County Area Landfill Authority
Ed Bear	Member	Hardin County Sanitary Solid Waste Disposal Commission
Cindy Turkle	Interim Director	
Dan Aastrup	Landfill Manager	

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 statements of the Rural Iowa Waste Management Association as of and for the year ended June 30, 2006. 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements 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, 2006, 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.

As described in Note 12, during the year ended June 30, 2006, the Rural Iowa Waste Management Association changed its accounting method from the basis of cash receipts and disbursements to the accrual basis.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 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 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, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 14, 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 statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

During fiscal year 2006, the Association changed its accounting method from the basis of cash receipts and disbursements to the accrual basis. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2005 amounts for the Statement of Net Assets have been revised to reflect the changes as if the changes had been made in the prior year. The fiscal year 2005 balances on the Statement of Revenues, Expenses and Changes in Net Assets will not be restated as if the revisions had been made in the prior year. The fiscal year 2005 balances in this discussion and analysis are reported on the basis of cash receipts and disbursements.

- ◆ The Association's operating revenues for fiscal year 2006 were \$1,236,100, \$318,815 less than operating receipts of \$1,554,915 for fiscal year 2005. One member County withdrew from participation in the Association.
- ◆ The Association's operating expenses for fiscal year 2006 were \$1,124,074, \$173,853 more than fiscal year 2005 cash disbursements. This is primarily due to the recording of depreciation expense in fiscal year 2006. Salaries and benefits were \$139,795 less in fiscal year 2006 due to the Association employing fewer staff in fiscal year 2006 and a \$19,000 vacation and sick leave payout in fiscal year 2005.
- ◆ The Association's net assets at June 30, 2006 were \$708,450, an increase of \$581,480 over the restated balance of \$126,970 at June 30, 2005.

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 financial 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 basic financial statement.

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 2006 totaled approximately \$708,000. This compares to approximately \$127,000 at the end of fiscal year 2005, as restated. A summary of the Association's net assets is presented below:

Net Assets		
	June 30,	
	2006	2005
Assets		
Current assets	\$ 697,374	471,399
Noncurrent restricted cash and investments	995,367	841,129
Noncurrent receivable	28,000	40,000
Capital assets at cost, less accumulated depreciation	1,264,458	1,240,941
Total assets	2,985,199	2,593,469
Liabilities		
Current liabilities	256,607	309,846
Noncurrent liabilities	2,020,142	2,156,653
Total liabilities	2,276,749	2,466,499
Net assets		
Invested in capital assets, net of related debt	637,798	291,811
Restricted	159,706	192,466
Unrestricted	(89,054)	(357,307)
Total net assets	\$ 708,450	126,970

The largest portion of the Association's net assets is invested in capital assets (90%, e.g. land, land improvements, buildings and equipment), less the related debt portion of net assets, are resources allocated to capital assets. A portion of the Association's net assets (23%) 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 the unrestricted net assets, which reflect a deficit balance to the extent the Association has reported noncurrent liabilities for landfill closure and postclosure care.

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 landfill cell expansion and gain on disposition of capital assets. Non-operating expenses are for interest expense. The utilization of 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,	
	2006 (Accrual Basis)	2005 (Cash Basis)
Operating revenues/receipts:		
Member fees	\$ 1,146,492	1,471,607
Gate fees	28,882	40,685
Reimbursements	12,518	14,475
State grant	-	18,301
Other operating revenues/receipts	48,208	9,847
Total operating revenues/receipts	<u>1,236,100</u>	<u>1,554,915</u>
Operating expenses/disbursements:		
Salaries and benefits	155,746	291,541
Travel, meetings and dues	3,829	9,571
Office equipment	-	1,832
Office supplies and postage	1,253	3,089
Advertising and printing	1,169	1,964
Educational programs	-	29,896
Engineering and consulting services	111,690	117,632
Professional fees	52,318	40,042
Insurance	17,920	46,088
Utilities	14,288	10,509
Tonnage fees	102,729	118,195
Landfill maintenance	99,278	123,954
Landfill cell expansion and final cover	67,520	149,476
Equipment repairs and maintenance	68,921	-
Closure and postclosure care costs	117,935	-
Depreciation	307,853	-
Miscellaneous	1,625	6,432
Total operating expenses/disbursements	<u>1,124,074</u>	<u>950,221</u>
Operating income	<u>112,026</u>	<u>604,694</u>
Non-operating revenues/receipts (expenses/disbursements):		
Interest income	43,470	11,984
Sale of land	-	12,000
Gain on sale of capital assets	375,869	-
Land sale proceeds returned to members	-	(12,000)
Debt service - principal and fees	-	(282,791)
Interest expense	(49,885)	(71,638)
Net non-operating revenues (disbursements)	<u>369,454</u>	<u>(342,445)</u>
Income before contributions	481,480	262,249
Capital contributions - member reimbursement for landfill cell expansion	100,000	-
Change in net assets	581,480	262,249
Net assets beginning of year, as restated	126,970	896,636
Net assets end of year	<u>\$ 708,450</u>	<u>1,158,885</u>

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 used for noncapital financing activities includes member reimbursements for landfill cell expansion. Cash provided by capital and related financing activities includes sale of capital assets reduced by principal and interest payments on loans and purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2006, the Association had approximately \$1,264,000 invested in capital assets, net of accumulated depreciation of approximately \$993,000. Depreciation charges totaled \$307,853 for fiscal year 2006. More detailed information about the Association's capital assets is presented in Note 6 to the financial statements.

LONG-TERM DEBT

At June 30, 2006, the Association had \$2,200,294 in debt outstanding compared to \$2,432,430 at June 30, 2005. The table below summarizes outstanding debt by type.

	June 30,	
	2006	2005
Revenue bonds payable	\$ 490,000	530,000
Loan payable	201,324	303,948
Installment purchase agreement payable	126,435	321,882
Land contract payable	41,000	53,000
Closure and postclosure care cost	1,341,535	1,223,600
	<u>\$ 2,200,294</u>	<u>2,432,430</u>

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

Basic Financial Statements

Exhibit A

Rural Iowa Waste Management Association

Statement of Net Assets

Year ended June 30, 2006

Assets

Current assets:

Cash and cash equivalents	\$ 459,033
Restricted cash	80,636
Receivables:	
Accounts	129,924
Land contract	13,000
Accrued interest	4,980
Prepaid expense	9,801
Total current assets	<u>697,374</u>

Noncurrent assets:

Restricted cash	188,017
Restricted investments	807,350
Land contract receivable	28,000
Capital assets (net of accumulated depreciation)	1,264,458
Total noncurrent assets	<u>2,287,825</u>
Total assets	<u>2,985,199</u>

Liabilities

Current liabilities:

Accounts payable	76,455
Current portion of:	
Revenue bonds payable	40,000
Loan payable	78,584
Installment purchase agreement payable	48,568
Land contract payable	13,000
Total current liabilities	<u>256,607</u>

Non-current liabilities:

Revenue bonds payable	450,000
Loan payable	122,740
Installment purchase agreement payable	77,867
Land contract payable	28,000
Landfill closure and postclosure care	1,341,535
Total noncurrent liabilities	<u>2,020,142</u>
Total liabilities	<u>2,276,749</u>

Net assets

Invested in capital assets, net of related debt	637,798
Restricted for:	
Debt service	135,609
Tonnage fees retained	24,097
Unrestricted	(89,054)
Total net assets	<u>\$ 708,450</u>

See notes to financial statement.

Rural Iowa Waste Management Association

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2006

Operating revenues:	
Member fees	\$ 1,146,492
Gate fees	28,882
Reimbursements	12,518
Other operating revenues	48,208
Total operating revenues	<u>1,236,100</u>
Operating expenses:	
Salaries and benefits	155,746
Travel, meetings and dues	3,829
Office supplies and postage	1,253
Advertising and printing	1,169
Engineering and consulting services	111,690
Professional fees	52,318
Insurance	17,920
Utilities	14,288
Tonnage fees	102,729
Landfill maintenance	99,278
Landfill expansion and final cover	67,520
Equipment repairs and maintenance	68,921
Closure and postclosure care costs	117,935
Depreciation	307,853
Miscellaneous	1,625
Total operating expenses	<u>1,124,074</u>
Operating income	<u>112,026</u>
Non-operating revenues (expenses):	
Interest income	43,470
Gain on sale of capital assets	375,869
Interest expense	(49,885)
Net non-operating revenues	<u>369,454</u>
Income before contributions	481,480
Capital contributions - member reimbursement for landfill cell expansion	<u>100,000</u>
Change in net assets	581,480
Net assets beginning of year, as restated	<u>126,970</u>
Net assets end of year	<u><u>\$ 708,450</u></u>

See notes to financial statements.

Rural Iowa Waste Management Association

Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Cash received from member fees	\$ 1,179,640
Cash received from gate fees	28,729
Cash received from reimbursements	12,518
Cash received from other operating revenues	26,114
Cash paid to suppliers for goods and services	(510,137)
Cash paid to employees for services	(155,746)
Net cash provided by operating activities	<u>581,118</u>
Cash flows from non-capital financing activities:	
Member reimbursement for landfill cell expansion	<u>100,000</u>
Cash flows from capital and related financing activities:	
Sale of capital assets	280,583
Sale of land	12,000
Principal paid on revenue bond debt	(40,000)
Interest paid on revenue bond debt	(33,170)
Principal paid on other debt	(172,725)
Interest paid on other debt	(18,108)
Purchase of capital assets	(360,037)
Land sale proceeds returned to members	(12,000)
Net cash used for capital and related financing activities	<u>(343,457)</u>
Cash flows from investing activities:	
Interest received	<u>7,140</u>
Net increase in cash and cash equivalents	344,801
Cash and cash equivalents beginning of year	<u>382,885</u>
Cash and cash equivalents end of year	<u>\$ 727,686</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 112,026
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	307,853
Closure and postclosure care costs	117,935
Changes in assets and liabilities:	
Decrease in accounts receivable	10,718
(Increase) in prepaid expense	(9,801)
Increase in accounts payables	42,387
Total adjustments	<u>469,092</u>
Net cash provided by operating activities	<u>\$ 581,118</u>

Noncash capital financing activities:

Capital assets with a cost of \$235,214 were acquired through an installment purchase agreement.

See notes to financial statements.

Rural Iowa Waste Management Association

Notes to Financial Statement

June 30, 2006

(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 and Wright 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 three commissions: Butler County Solid Waste Commission, Hardin County Sanitary Solid Waste Disposal Commission and Wright County Area Landfill Authority. 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 Investments

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, 2006 include certificates of deposit of \$807,350.

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.

<u>Asset Class</u>	<u>Amount</u>
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, 2006.

(2) Cash and Investments

The Association's deposits in banks at June 30, 2006 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 3.70% of their annual covered salary and the Association is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$6,021, \$11,442 and \$13,160, 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, effective June 30, 2006. The Association did not compute the employees' sick leave balances as of June 30, 2006.

(5) Land Contract Receivable

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, 2006, the balance of \$41,000 owed to the Association, including a delinquent installment of \$1,000 received in July 2006, was due as follows:

Year Ending June 30,	Amount
2007	\$ 13,000
2008	12,000
2009	12,000
2010	4,000
Total	<u>\$ 41,000</u>

(6) Capital Assets

A summary of capital assets at June 30, 2006 is as follows:

	Balance Beginning of Year, as Restated	Additions	Deletions	Balance End of Year
Capital assets, not being depreciated:				
Land	\$ 152,445	-	-	152,445
Capital assets, being depreciated:				
Buildings	120,000	-	-	120,000
Land improvements	465,353	283,037	-	748,390
Equipment and vehicles	2,216,220	312,214	(1,292,249)	1,236,185
Total capital assets being depreciated	<u>2,801,573</u>	<u>595,251</u>	<u>(1,292,249)</u>	<u>2,104,575</u>
Less accumulated depreciation for:				
Buildings	24,615	3,077	-	27,692
Land improvements	293,042	145,068	-	438,110
Equipment and vehicles	1,395,420	159,708	(1,028,368)	526,760
Total accumulated depreciation	<u>1,713,077</u>	<u>307,853</u>	<u>(1,028,368)</u>	<u>992,562</u>
Total capital assets being depreciated, net	<u>1,088,496</u>	<u>287,398</u>	<u>(263,881)</u>	<u>1,112,013</u>
Capital assets, net	<u>\$ 1,240,941</u>	<u>287,398</u>	<u>(263,881)</u>	<u>1,264,458</u>

Equipment costing \$235,214 was purchased under an installment purchase agreement. Accumulated depreciation on this equipment totals \$33,602, which was the depreciation for the year ended June 30, 2006.

(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
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	6.30	55,000	19,660	74,660
2012-2015	6.40-6.50	250,000	42,195	292,195
Total		\$ 490,000	169,805	659,805

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 \$79,070 invested in a certificate of deposit as of June 30, 2006 which is included in restricted net assets on 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. That savings account had a balance of \$56,539 at June 30, 2006 which is included in restricted net assets on the Statement of Net Assets.

During the year ended June 30, 2006, \$40,000 of principal and \$33,170 of interest were paid.

(8) Loan and Installment Purchases Agreement Payable

Loan Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	3.25%	\$ 78,584	5,596	84,180
2008	3.25	81,162	3,017	84,179
2009	3.25	41,578	513	42,091
Total		\$ 201,324	9,126	210,450

During the year ended June 30, 2006, \$102,624 of principal and \$8,753 of interest were repaid.

Installment Purchase Agreement Payable

The Association has entered into an installment purchase agreement to purchase a loader with an historical cost of \$235,214. The following is a schedule of the future minimum lease payments, including interest of 5.35% per annum, and the present value of net minimum payments under the agreement in effect at June 30, 2006:

<u>Year</u> Ending June 30,	<u>Amount</u>
2007	\$ 54,369
2008	54,369
2009	27,184
Total minimum lease payments	135,922
Less amount representing interest	(9,487)
Present value of net minimum lease payments	<u>\$ 126,435</u>

Payments under the installment purchase agreement totaled \$27,184 for the year ended June 30, 2006. In addition, payments on installment purchase agreements for capital assets traded during the year ended June 30, 2006 totaled \$327,445, consisting of \$321,882 in principal and \$5,563 in interest.

(9) 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 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 \$54,700 and \$597,000 for closure and postclosure care, respectively, for the vertical expansion area, \$250,000 and \$240,000 for closure and postclosure care, respectively, for the horizontal expansion area – phase A and B and \$176,200 and \$168,000 for closure and postclosure care, respectively, for the horizontal expansion area – phase C, for a total of \$1,485,900 as of June 30, 2006, and the portion of the liability that has been recognized is \$1,341,535. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2006. 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 7 years and the estimated remaining life of the horizontal expansion area – phase C is 10 years. The capacity used at June 30, 2006 in the vertical expansion area and the horizontal expansion area – phase A and B is 100 percent and the horizontal expansion area – phase C is 35 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, 2006, assets of \$916,297 are restricted for these purposes. They are reported as restricted cash and investments on the Statement of 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 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, 2006, the unspent amounts retained by the Association and restricted for the required purposes totaled \$24,097.

(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 531 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 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, 2006 were \$12,459.

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 \$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. 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, 2006, no liability has been recorded in the Association's financial statements. As of June 30, 2006, 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.

(12) Change in Accounting Method

During the year ended June 30, 2006, the Association changed its accounting method from the basis of cash receipts and disbursements basis to the accrual basis. As a result, net assets at the beginning of the year were restated to reflect the accruals as follows:

Cash basis net assets, June 30, 2005	\$ 1,158,885
Capital assets	2,954,018
Accumulated depreciation	(1,713,077)
Landfill closure and postclosure care	(1,223,600)
Bonds, loans and installment purchase agreements payable	(1,155,830)
Land contract receivable	53,000
Land contract payable	(53,000)
Accounts receivable	140,643
Accounts payable	<u>(34,069)</u>
Net assets July 1, 2005, as restated	<u>\$ 126,970</u>

(13) Subsequent Events

The Hamilton County Solid Waste Commission (HCSWC) withdrew from the Association, effective July 1, 2005, and is no longer a participating member of the Association. In an agreement dated July 29, 2006, HCSWC and the Association agreed upon costs totaling \$155,000 to be paid by HCSWC for its withdrawal from the Association.

The Wright County Area Landfill Authority (WCALA) withdrew from the Association, effective June 30, 2006, and is no longer a participating member of the Association. As of December 14, 2006, WCALA and the Association have not agreed upon costs to be paid by WCALA for its withdrawal from the Association.

Rural Iowa Waste Management Association



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
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, 2006, and have issued our report thereon dated December 14, 2006. 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 statements 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 statements. 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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions are material weaknesses.

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, 2006 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.

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

December 14, 2006

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Capital Assets – A physical observation of capital assets is not performed periodically by an employee having no responsibility for the assets. Additionally, the Association does not have a written capital asset policy, including capitalization thresholds and useful lives for classes of assets.

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. The Association should develop a written capital asset policy to identify capitalization thresholds and useful lives for classes of assets.

Response – The Association will develop a capital asset policy, including an inventory of assets and their useful life expectancy for determining capitalization thresholds. In addition, an employee will be designated to periodically inspect and summarize the conditions of each item.

Conclusion – Response accepted.

- (B) Expense Approval – Three of nineteen expenses reviewed were not approved by the Board prior to payment. These items were not covered by the expense approval policy allowing certain items to be paid prior to Board approval.

Recommendation – All Association expenses should be approved by the Board prior to payment, 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.

Response – The Resolution approving pre-approved payments will be reviewed and updated. Arrangements have now been made with most vendors to allow payments to be made following a normal Board meeting. Staff will more closely monitor all expenses to be sure they are included on the list provided to the Board for review and approval.

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.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2006

Response – Staff will attempt to develop an accounting policies and procedures manual with assistance from the accountant.

Conclusion – Response accepted.

- (D) 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 Association does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – Staff will work with the accounting firm to develop a disaster recovery plan.

Conclusion – Response accepted.

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

- (1) One of three timecards reviewed was not approved by the employee’s supervisor.
- (2) Compensated absence balances were not maintained.
- (3) Personnel files do not include documentation of authorized salaries and wages.

Recommendation – Timecards for all employees should be submitted for approval prior to the processing of payroll each pay period. The timecards should be signed by the employee and should be reviewed and signed by the employee’s immediate supervisor prior to submission. The Association should establish procedures for maintaining compensated absence balances. Personnel files should include each employee’s authorized salary or wage.

Response – All timecards are reviewed, but staff will be sure all are initialed to indicate they were reviewed. Staff will work with the accountant to maintain employee compensated absences. Staff will also place each employee’s salary/wage rate in each employee’s personnel file.

Conclusion – Response accepted.

- (F) Mileage Reimbursement Rate – Association Board minutes approved keeping the mileage reimbursement rate at the same level as previously set. However, the Association could not provide documentation for this rate.

Recommendation – The Board minutes should document the actual approved mileage reimbursement rate.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2006

Response – The Board’s mileage reimbursement rate will be discussed at the next Association meeting and the appropriate rate formally placed in the meeting minutes.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2006

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) 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.
- (4) Association Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not. However, there were several instances where the Association minutes were not signed by the Secretary.

Recommendation – The Association minutes should be signed.

Response – All future minutes will be signed by the Secretary.

Conclusion – Response accepted.

- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Association’s investment policy were noted.
- (6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2006, the Association used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (7) Revenue Bonds – No instances of non-compliance with the solid waste revenue bond requirements for the year ended June 30, 2006 were noted.
- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Association to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Association retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Response – Arrangements will be made to receive copies of the backs of the checks from the current banking institution.

Conclusion – Response accepted.

Rural Iowa Waste Management Association

Schedule of Findings

Year ended June 30, 2006

- (9) 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(8) of the Iowa Administrative Code. The calculation is made as follows:

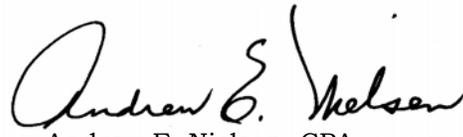
	Vertical Expansion	Horizontal Expansion - Phase A and B	Horizontal Expansion - Phase C
Total estimated costs for closure and postclosure care	\$ 651,700	490,000	344,200
Less: Balance of funds held in the local dedicated fund at June 30, 2005	651,700	123,829	-
	-	366,171	344,200
Divided by the number of years remaining in the pay-in period	÷ -	7	10
Required payment into the local dedicated fund for the year ended June 30, 2006	-	52,310	34,420
Balance of funds held in the local dedicated fund at June 30, 2005	651,700	123,829	-
Required balance of funds to be held in the local dedicated fund at June 30, 2006	\$ 651,700	176,139	34,420
Amount Association has restricted for closure and postclosure care at June 30, 2006	\$ 651,700	230,177	34,420

Rural Iowa Waste Management Association

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Kimberly M. Knight, CPA, Senior Auditor II
Janet K. Mortvedt, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State