

**RATHBUN AREA SOLID WASTE
MANAGEMENT COMMISSION**

CENTERVILLE, IOWA

Independent Auditors' Reports
Financial Statement and
Required Supplementary Information
Schedule of Findings

June 30, 2005

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

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RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Officials June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Governmental Jurisdiction</u>
Ralph Alshouse	Chairman	City of Seymour, Iowa
Larry Strickling	Vice-Chairman	City of Centerville, Iowa
Glenn Moritz	Commission Member	City of Centerville, Iowa
Jody McDanel	Commission Member	Appanoose County, Iowa
Jean Morrison	Commission Member	City of Cincinnati, Iowa
Jim Casteel	Commission Member	City of Exline, Iowa
Frances Benell	Commission Member	City of Moravia, Iowa
Larry Cook	Commission Member	City of Moulton, Iowa
John Warnick	Commission Member	City of Mystic, Iowa
Cletus Brooke	Commission Member	City of Numa, Iowa
Wendell DeVore	Commission Member	City of Plano, Iowa
Joe Today	Commission Member	City of Rathbun, Iowa
Eric Pace	Commission Member	City of Udell, Iowa
Ed Nicoletto	Commission Member	City of Unionville, Iowa
Joe Keener	Commission Member	City of Promise City, Iowa
Leroy Brown	Commission Member	City of Princeton, Missouri
Rosann Barbaglia	Secretary/Accountant	



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Independent Auditors' Report

To the Members of the Commission
Rathbun Area Solid Waste Management Commission
Centerville, Iowa

We have audited the accompanying financial statement of the Rathbun Area Solid Waste Management Commission as of and for the year ended June 30, 2005. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Rathbun Area Solid Waste Management Commission as of June 30, 2005, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated November 30, 2005 on our consideration of Rathbun Area Solid Waste Management Commission'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 4 through 7 is not a required part of the basic financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statement that comprises Rathbun Area Solid Waste Management Commission's financial statement. The supplemental information included on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Theobald, Donohue & Thompson, P.C.

Centerville, Iowa
November 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rathbun Area Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Rathbun Area Solid Waste Management Commission is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2005 FINANCIAL HIGHLIGHTS

- The Commission's operating receipts increased 14%, or approximately \$102,000, from fiscal 2004 to fiscal 2005.
- The Commission's operating disbursements increased 22%, or approximately \$118,000, from fiscal 2004 to fiscal 2005.
- The Commission's net assets increased 15%, or approximately \$168,000, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Commission's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission's cash basis of accounting.

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

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

FINANCIAL ANALYSIS OF THE COMMISSION

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

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

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

<u>Changes in Cash Basis Net Assets</u>		
	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Operating receipts:		
Landfill fees	\$ 629,165	557,858
Recycling fees	195,265	165,398
Rent income	1,254	-
Education grant	<u>967</u>	<u>1,122</u>
Total operating receipts	<u>826,651</u>	<u>724,378</u>
Operating disbursements:		
Wages and benefits	164,797	148,177
Contractor fees	313,622	248,493
Other	<u>174,983</u>	<u>138,357</u>
Total operating disbursements	<u>653,402</u>	<u>535,027</u>
Excess of operating receipts over operating disbursements	<u>173,249</u>	<u>189,351</u>
Non-operating receipts (disbursements):		
Interest on investments	45,076	15,784
Purchases of equipment	(30,167)	(19,799)
Payments on DNR loan	<u>(20,143)</u>	<u>(10,143)</u>
Net non-operating receipts (disbursements)	<u>(5,234)</u>	<u>(14,158)</u>
Net change in cash basis net assets	168,015	175,193
Cash basis net assets beginning of year	<u>1,110,825</u>	<u>935,632</u>
Cash basis net assets end of year	\$ <u>1,278,840</u>	<u>1,110,825</u>

In fiscal year 2005, operating receipts increased \$102,273, or 14%, from fiscal year 2004. The increase was primarily a result of an increase in the amount of tons of waste put in the landfill. The tonnage placed into the landfill can fluctuate from year to year based on several factors including the economy and local industrial activity. It is not uncommon to have yearly fluctuations of 10% up or down.

In fiscal year 2005, operating disbursements increased by \$118,375, or 18%, from fiscal year 2004. The increase was primarily due to continued maintenance of the landfill site, repair and maintenance of landfill/recycling equipment and purchase of new equipment.

The largest portion of the Rathbun Area Solid Waste Commission's cash basis net assets, \$1,124,657 (88%), is restricted for closure and postclosure care. State and federal laws and regulations require the Rathbun Area Solid Waste Management Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash basis net assets, \$154,183 (12%), are unrestricted net assets that can be used to meet the Rathbun Area Solid Waste Management Commission's obligations as they come due. Restricted net assets increased \$212,704, or 23% during the year. The increase was due to additional funds being set aside for closure and postclosure care. Unrestricted cash basis net assets decreased \$44,689, or 22%, during the year due to the funds being set aside for closure and postclosure.

LONG-TERM DEBT

The Commission borrowed funds from the Iowa Department of Natural Resources under the Landfill Alternatives Financial Assistance Program. The outstanding balance at June 30, 2005 was \$15,105.

ECONOMIC FACTORS

Rathbun Area Solid Waste Management Commission 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 Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities and equipment require constant maintenance and upkeep.
- Annual deposits required to be made to the closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Market rates for recycled goods continue to be unstable due to economic changes.
- The landfill must meet subtitle D requirements by October 2007 or close. The Commission has voted to close our current landfill by October 2007. We will establish a transfer station in Appanoose County for current landfill users.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rathbun Area Solid Waste Management Commission, PO Box 38, Mystic, IA 52574, or contact the Recycling Center at 1209 South 18th Street, Centerville, IA 52544.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets Year Ended June 30, 2005

Operating receipts:	
Landfill fees	\$ 629,165
Recycling fees	195,265
Rent income	1,254
Education grant	967
Total operating receipts	826,651
Operating disbursements:	
Advertising	164
Co-marketing	9,341
Continuing education	107
Contractor's fees	313,622
DNR fees	26,175
Dues and subscriptions	100
Engineering fees	24,080
Hauling	1,155
Insurance	13,357
Legal and accounting	3,600
Licenses and permits	678
Miscellaneous	222
Office supplies and postage	1,783
Operating supplies	8,194
Outside labor	31,961
Payroll taxes	10,539
Printing and publications	1,284
Program expenses	3,132
Repairs and maintenance	20,930
Sales tax expense	10,134
Testing	8,562
Travel	1,127
Utilities	8,897
Wages and benefits	154,258
Total operating disbursements	653,402
Excess (deficiency) of operating receipts over (under) operating disbursements	173,249

(continued)

See accompanying notes to the financial statement.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets (Continued) Year Ended June 30, 2005

Non-operating receipts (disbursements):	
Investment interest	45,076
Purchases of equipment	(30,167)
Payments on DNR loan	(20,143)
Net non-operating receipts	<u>(5,234)</u>
Change in cash basis net assets	168,015
Cash basis net assets beginning of year	<u>1,110,825</u>
Cash basis net assets end of year	<u><u>\$ 1,278,840</u></u>
Cash Basis Net Assets	
Restricted for:	
Closure	\$ 458,905
Post-closure care	633,725
Comprehensive planning	32,027
Total restricted net assets	<u>1,124,657</u>
Unrestricted	<u>154,183</u>
Total cash basis net assets	<u><u>\$ 1,278,840</u></u>

See accompanying notes to the financial statement.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2005

Note 1 – Summary of Significant Accounting Policies

The Rathbun Area Solid Waste Management Commission was created in 1983 pursuant to the provisions of Chapter 28E of the Code of Iowa to develop, operate and maintain solid waste facilities for and on behalf of the participating governmental units. The Commission oversees the activities of both the Landfill site in Appanoose County and the Recycling Center in Centerville.

The governing body of the Commission is composed of one representative from each of the fourteen member cities and one representative from Appanoose County. The member cities are: Centerville, Cincinnati, Exline, Moravia, Moulton, Mystic, Numa, Plano, Promise City, Rathbun, Seymour, Udell, Unionville, Iowa and Princeton, Missouri. The commissioners are appointed by the participating political subdivisions. Currently, the Commission contracts for landfill operations.

A. Reporting Entity

For financial reporting purposes, the Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission 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 Commission are such that exclusion would cause the Commission's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth the 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 Commission 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 Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2005

Note 1 – Summary of Significant Accounting Policies

C. Basis of Accounting

The Rathbun Area Solid Waste Management Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statement does not present financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

D. Restricted Cash Basis Net Assets

Funds set aside for payment of closure and postclosure care are classified as restricted.

Note 2 – Cash and Investments

The Commission's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission 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 Commission; 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.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2005

Note 2 – Cash and Investments (Continued)

At June 30, 2005 the Commission had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Government securities	<u>\$1,030,897</u>	<u>993,383</u>

Interest rate risk: The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Commission.

Credit risk: The Commission's investment in government securities at June 30, 2005 were rated AAA by Moody's Investors service.

Concentration of credit risk: The Commission places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Commission's investments are in government securities.

Note 3 – Pension and Retirement System

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$7,209, \$6,335, and \$6,005, respectively, equal to the required contributions for each year.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2005

Note 4 – Employee Benefits

The Recycling Center's employees accumulate earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as expenditures by Rathbun Area Solid Waste Management Commission until used or paid. The Commission's approximate liability for earned vacation and sick leave payments to employees, based on rates of pay in effect as of June 30, 2005, are as follows:

<u>Type of Benefit</u>	<u>Amount at June 30, 2005</u>
Sick leave	\$ 1,043
Vacation	<u>2,294</u>
	\$ <u>3,337</u>

Note 5 – Note Payable

The Commission has a note payable with the Iowa Department of Natural Resources, of which \$15,105 is outstanding as of June 30, 2005. The interest rate on the note is 0.00% and it matures January 15, 2006. Payments of \$5,035.71 per quarter are required.

Note 6 – Risk Management

The Rathbun Area Solid Waste Management Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 – Operator Contract

The Rathbun Area Solid Waste Management Commission has entered into an operator contract with Rinehart Construction Co. Inc. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools, and equipment necessary for operation, except for recycling responsibilities. For these services, Rinehart Construction Co. Inc. was paid \$20.00 per ton during the year ended June 30, 2005.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued)

June 30, 2005

Note 8 – Closure and Post-Closure Care Cost

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

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

These costs for the Rathbun Area Solid Waste Management Commission have been estimated at \$544,970 for closure and \$761,400 for post-closure at June 30, 2005. On October 20, 1997, Iowa received final full program determination of adequacy from the U.S. Environmental Protection Agency (EPA) for the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. As a fully approved state, Iowa must have enforceable standards to comply with 40 Code of Regulations (CFR) part 258, which established the minimum national criteria for all MSW landfills. Even though the landfill continues to have additional space available for future waste, the Iowa Department of Natural Resources has stated that landfilling of waste in this area must cease by October 1, 2007. At that time, the landfill will begin closure activities. This action is the result of proposed revisions to Chapter 567-113 of the Iowa Administrative Code to comply with 40 CFR 258. The Rathbun Area Solid Waste Management Commission has authorized the design of a transfer station in Appanoose County for all current landfill users.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2005

Note 8 – Closure and Post-Closure Care Cost (Continued)

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Rathbun Area Solid Waste Management Commission has begun to accumulate resources to fund these costs and, at June 30, 2005, assets of \$1,092,630 are restricted for these purposes, of which \$458,905 is for closure and \$633,725 is for post-closure. They are reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

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

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

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

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 57-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and post-closure care account requirements. Accordingly, the Commission is not required to establish closure and post-closure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Note 9 – Solid Waste Tonnage Fee Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2005, the Commission had unspent tonnage fees of \$32,027.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Cash Receipts and Disbursements – Operating Fund – Cash Basis Year Ended June 30, 2005

	General Operating Fund	Recycling Center Fund	Total (Memorandum Only)
Operating receipts:			
Landfill fees	\$ 629,165	-	629,165
Recycling fees	-	195,265	195,265
Rent income	1,254	-	1,254
Education grant	-	967	967
Total operating receipts	<u>630,419</u>	<u>196,232</u>	<u>826,651</u>
Operating disbursements:			
Advertising	64	100	164
Co-marketing	-	9,341	9,341
Continuing education	107	-	107
Contractor's fees	313,622	-	313,622
DNR fees	26,175	-	26,175
Dues and subscriptions	-	100	100
Engineering fees	16,369	-	16,369
Hauling	-	1,155	1,155
Insurance	741	12,616	13,357
Legal and accounting	3,600	-	3,600
Licenses and permits	-	678	678
Miscellaneous	22	200	222
Office supplies and postage	1,551	232	1,783
Operating supplies	653	7,541	8,194
Outside labor	25,000	6,961	31,961
Payroll taxes	729	9,810	10,539
Printing and publications	-	1,284	1,284
Program expense	-	3,132	3,132
Repairs and maintenance	1,606	19,324	20,930
Sales tax expense	10,134	-	10,134
Testing	8,562	-	8,562
Travel	-	1,127	1,127
Utilities	-	8,897	8,897
Wages and benefits	9,174	145,084	154,258
Total operating disbursements	<u>418,109</u>	<u>227,582</u>	<u>645,691</u>

(continued)

See accompanying independent auditors' report.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Cash Receipts and Disbursements –
 Operating Fund – Cash Basis (Continued)
 Year Ended June 30, 2005

	General Operating Fund	Recycling Center Fund	Total (Memorandum Only)
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of operating receipts over (under) operating disbursements	212,310	(31,350)	180,960
Non-operating receipts (disbursements):			
Investment interest	2,997	-	2,997
Purchases of equipment	-	(30,167)	(30,167)
Payments on DNR loan	(20,143)	-	(20,143)
Operating transfers in (out):			
Closure - Post-Closure/Operating	(172,104)	-	(172,104)
Comprehensive Planning/Operating	(6,232)	-	(6,232)
Net non-operating receipts (disbursements)	<u>(195,482)</u>	<u>(30,167)</u>	<u>(225,649)</u>
Change in cash basis net assets	\$ <u>16,828</u>	<u>(61,517)</u>	<u>(44,689)</u>

See accompanying independent auditors' report.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Cash Receipts, Disbursements and Changes in Net Assets – All Funds – Cash Basis Year Ended June 30, 2005

	<u>Operating Fund</u>	<u>Closure/ Post- Closure Fund</u>	<u>Compre- hensive Planning Fund</u>	<u>Total (Memorandum Only)</u>
Receipts:				
Landfill fees	\$ 629,165	-	-	629,165
Recycling fees	195,265	-	-	195,265
Rent income	1,254	-	-	1,254
Education grant	967	-	-	967
Total receipts	826,651	-	-	826,651
Disbursements:				
Advertising	164	-	-	164
Co-marketing	9,341	-	-	9,341
Continuing education	107	-	-	107
Contractor's fees	313,622	-	-	313,622
DNR fees	26,175	-	-	26,175
Dues and subscriptions	100	-	-	100
Engineering fees	16,369	-	7,711	24,080
Hauling	1,155	-	-	1,155
Insurance	13,357	-	-	13,357
Legal and accounting	3,600	-	-	3,600
Licenses and permits	678	-	-	678
Miscellaneous	222	-	-	222
Office supplies and postage	1,783	-	-	1,783
Operating supplies	8,194	-	-	8,194
Outside labor	31,961	-	-	31,961
Payroll taxes	10,539	-	-	10,539
Printing and publications	1,284	-	-	1,284
Program expense	3,132	-	-	3,132
Repairs and maintenance	20,930	-	-	20,930
Sales tax expense	10,134	-	-	10,134
Testing	8,562	-	-	8,562
Travel	1,127	-	-	1,127
Utilities	8,897	-	-	8,897
Wages and benefits	154,258	-	-	154,258
Total disbursements	645,691	-	7,711	653,402
Excess (deficiency) of receipts over (under) disbursements	180,960	-	(7,711)	173,249

(continued)

See accompanying independent auditors' report.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Cash Receipts, Disbursements and Changes in Net Assets – All Funds – Cash Basis (Continued) Year Ended June 30, 2005

	Operating Fund	Closure/ Post- Closure Fund	Compre- hensive Planning Fund	Total (Memorandum Only)
Non-operating receipts (disbursements):				
Investment interest	2,997	42,062	17	45,076
Purchases of equipment	(30,167)	-	-	(30,167)
Payments on DNR loan	(20,143)	-	-	(20,143)
Operating transfers in (out):				
Closure - Post Closure/Operating	(172,104)	172,104	-	-
Comprehensive Planning/Operating	(6,232)	-	6,232	-
Net non-operating receipts (disbursements)	<u>(225,649)</u>	<u>214,166</u>	<u>6,249</u>	<u>(5,234)</u>
Increase (decrease) in cash basis net assets	(44,689)	214,166	(1,462)	168,015
Cash basis net assets beginning of the year	<u>198,872</u>	<u>878,464</u>	<u>33,489</u>	<u>1,110,825</u>
Cash basis net assets end of the year	<u>\$ 154,183</u>	<u>1,092,630</u>	<u>32,027</u>	<u>1,278,840</u>

See accompanying independent auditors' report.



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Independent Auditors' 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 Commission
Rathbun Area Solid Waste Management Commission
Centerville, Iowa

We have audited the accompanying financial statement of the Rathbun Area Solid Waste Management Commission as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Rathbun Area Solid Waste Management Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Rathbun Area Solid Waste Management Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying Schedule of Findings.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rathbun Area Solid Waste Management Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are 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 Commission's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. 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 Rathbun Area Solid Waste Management Commission and other parties to whom the Commission 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 Rathbun Area Solid Waste Management Commission 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.

Theobald, Donohue & Thompson, P.C.

Centerville, Iowa
November 30, 2005

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings For the Year Ended June 30, 2005

Findings related to the financial statement:

Reportable Conditions:

Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize that with a limited number of employees, segregation of duties is difficult. However, we recommend that the Commission review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will work to maintain the best possible control with the personnel available.

Conclusion – Response accepted.

Other findings related to required statutory reporting:

1. Official Depositories – A resolution naming official depositories and maximum amounts as required by the Code of Iowa has been approved by the Commission. As of June 30, 2005, the Commission was in compliance with the resolution.
2. Questionable Disbursements – We noted no disbursements that we believe may constitute an unlawful disbursement from public funds as defined in the Attorney General's opinion dated April 25, 1979.
3. Travel Expense – No disbursements of Rathbun Area Solid Waste Management Commission's money for travel expenses of spouses of the Commission's officials or employees were noted.
4. Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
5. Deposits and Investments – Deposits and investments were in compliance with the provisions of Chapter 12B and Chapter 12C of the Code of Iowa, and the Commission's investment policy.
6. Solid Waste Fees Retainage – During the year ended June 30, 2005, the Rathbun Area Solid Waste Management Commission used or retained the solid waste fees in accordance with Chapter 455B.310 (2) of the Code of Iowa.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings (Continued)
For the Year Ended June 30, 2005

Other findings related to required statutory reporting (continued):

7. Financial Assurance – The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 567-111.6(9) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	<u>Closure</u>	<u>Post-Closure</u>
Total estimated costs for closure and post-closure care	\$ 544,970	761,400
Less: Balance of funds held in the local dedicated fund at June 30, 2004	<u>(351,495)</u>	<u>(526,970)</u>
	193,475	234,430
Divided by the number of years remaining in the pay-in period	<u>÷ 3</u>	<u>÷ 3</u>
Required total payments into the local dedicated fund for year ended June 30, 2005	64,492	78,143
Balance of funds held in the local dedicated fund at June 30, 2004	<u>351,495</u>	<u>526,970</u>
Required balance of funds held in the local dedicated fund at June 30, 2005	\$ <u>415,987</u>	<u>605,113</u>
Fair market value of the funds the Commission has restricted and reserved for closure and post-closure care	\$ <u>443,149</u>	<u>611,968</u>