

**RATHBUN AREA SOLID WASTE
MANAGEMENT COMMISSION**

CENTERVILLE, IOWA

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

June 30, 2007

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

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RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Officials June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Governmental Jurisdiction</u>
Ralph Alshouse	Chairman	City of Seymour, Iowa
Marsha Mitchell	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
Gary Harris	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 Todey	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
Virginia McDonough	Commission Member	City of Moravia, Iowa
Amanda Wells	Secretary/Accountant	



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Cedar Rapids
Fairfield
Mt. Pleasant
Oskaloosa
Ottumwa
Pella
Sigourney

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 for the year ended June 30, 2007. 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 for the year then ended June 30, 2007 in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 2008 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 provided 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 6 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

T&T Financial Group, P.C.

Centerville, Iowa
May 7, 2008

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, 2007. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2007 FINANCIAL HIGHLIGHTS

- The Commission's operating receipts increased 3%, or approximately \$20,939, from fiscal 2006 to fiscal 2007.
- The Commission's operating disbursements decreased 23%, or approximately \$180,657, from fiscal 2006 to fiscal 2007.
- The Commission's net assets increased 6% or approximately \$87,762 from June 30, 2006 to June 30, 2007.

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, 2007 and June 30, 2006 is presented below:

<u>Changes in Cash Basis Net Assets</u>		
	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating receipts:		
Gate and recycling fees	\$ 749,621	728,682
Total operating receipts	<u>749,621</u>	<u>728,682</u>
Operating disbursements:		
Wages and benefits	125,422	148,251
Contractor fees	251,396	266,978
Closure costs	-	171,149
Other	<u>209,693</u>	<u>180,790</u>
Total operating disbursements	<u>586,511</u>	<u>767,168</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>163,110</u>	<u>(38,486)</u>
Non-operating receipts (disbursements):		
Interest on investments	60,197	56,120
Capital expenditures	(153,330)	-
Grant income	17,785	-
Payments on DNR loan	<u>-</u>	<u>(15,107)</u>
Net non-operating receipts (disbursements)	<u>(75,348)</u>	<u>(41,013)</u>
Net change in cash basis net assets	87,762	2,527
Cash basis net assets beginning of year	<u>1,281,367</u>	<u>1,278,840</u>
Cash basis net assets end of year	\$ <u>1,369,129</u>	<u>1,281,367</u>

In fiscal year 2007, operating receipts increased \$20,939, or 3%, from fiscal year 2006. 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 2007, operating disbursements decreased by \$180,657 or 23%, from fiscal year 2006. The large decrease is primarily the result of the closure cost in the prior fiscal year.

The largest portion of the Rathbun Area Solid Waste Commission's cash basis net assets, \$1,209,708 (89%), 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, \$159,421 (11%), 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 \$79,394, or 7% during the year. The increase was due to additional funds being set aside for closure and postclosure care. Unrestricted cash basis net assets increased \$8,368, or 4%.

LONG-TERM DEBT

At June 30, 2007, the Commission had no long term debt outstanding.

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 at 3020 McCarty 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, 2007

Operating receipts:	
Gate and recycling fees	\$ 749,621
Total operating receipts	<u>749,621</u>
Operating disbursements:	
Automobile expenses	10,558
Co-marketing	11,310
Contractor's fees	251,396
DNR fees	24,988
Dues and subscriptions	1,752
Engineering fees	29,131
Insurance	37,733
Legal and accounting	22,338
Licenses and permits	84
Miscellaneous	2,639
Office supplies and postage	1,331
Operating supplies	5,143
Payroll taxes	16,949
Recycling fees	7,544
Repairs and maintenance	11,033
Sales tax expense	10,599
Testing	8,473
Travel	430
Utilities	7,658
Wages and benefits	125,422
Total operating disbursements	<u>586,511</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>163,110</u>

(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, 2007

Non-operating receipts (disbursements):	
Investment interest	60,197
Grant income	17,785
Capital expenditures	<u>(153,330)</u>
Net non-operating receipts	<u>(75,348)</u>
Change in cash basis net assets	87,762
Cash basis net assets beginning of year	<u>1,281,367</u>
Cash basis net assets end of year	<u><u>\$ 1,369,129</u></u>
Cash Basis Net Assets	
Restricted for:	
Closure, at cost	\$ 342,271
Post-closure care, at cost	839,233
Comprehensive planning	<u>28,204</u>
Total restricted net assets	<u>1,209,708</u>
Unrestricted	<u>159,421</u>
Total cash basis net assets	<u><u>\$ 1,369,129</u></u>

See accompanying notes to the financial statement.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2007

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 thirteen 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, and Unionville. 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, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

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 is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care 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, 2007 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 cost.

At June 30, 2007 the Commission had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Government securities	\$ <u>861,210</u>	<u>783,037</u>

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2007

Note 2 – Cash and Investments (Continued)

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, 2007 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, 2007, 2006, and 2005 were \$7,212, \$7,369, and \$7,209, respectively, equal to the required contributions for each year.

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, 2007, are as follows:

<u>Type of Benefit</u>	<u>Amount at June 30, 2007</u>
Sick leave	\$ 1,823
Vacation	<u>5,560</u>
	\$ <u>7,383</u>

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2007

Note 5 – Risk Management

The Commission 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 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended June 30, 2007 were \$6,556.

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 \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2007

Note 5 – Risk Management (Continued)

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 that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, 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.

Note 6 – 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, 2007.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2007

Note 7 – 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 \$328,880 for closure and \$806,400 for post-closure at June 30, 2007. 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, 2007

Note 7 – 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, 2007, assets with a fair value of \$1,103,303 are restricted for these purposes, of which \$319,958 is for closure and \$783,345 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 8 – 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, 2007, the Commission had unspent tonnage fees of \$28,204.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement (Continued) June 30, 2007

Note 9 – Subsequent Event

By October 1, 2007, Iowa solid waste landfills must meet the national Municipal Solid Waste Landfill Criteria for artificial liners under the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. Non-compliant landfills must implement closure requirements by October 1, 2007 for all cells not meeting RCRA Subtitle D liner requirements and may construct new cells that are in compliance if they are to continue accepting solid waste for disposal. The Rathbun Area Solid Waste Commission plans to close all existing cells not in compliance with the requirements.

In September 2007, Appanoose County issued \$1,540,000 of general obligation solid waste disposal bonds on behalf of the Commission to finance the construction of a transfer station. The Commission will make payments to Appanoose County in subsequent years to pay principal and interest on the general obligation solid waste disposal bonds.

In March 2008, a fire destroyed the recycling center and the contents belonging to the Commission. The value of the loss and the insurance settlement has not yet been determined.



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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 Rathbun Area Solid Waste Management Commission for the year ended June 30, 2007, and have issued our report thereon dated May 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commissions' internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Commission's financial statement that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance 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, 2007 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.

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

This report, a public record by law, is intended solely for the information and use of the members and customers of the 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.

TD&T Financial Group, P.C.

Centerville, Iowa
May 7, 2008

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings For the Year Ended June 30, 2007

Findings related to the financial statement:

Material Weaknesses:

- 1) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that one person has control over each of the following areas for the Commission:

1. Accounting System – record keeping for revenues and expenses, and related reporting.
2. Receipts – collecting, depositing, journalizing and posting.
3. Payroll – changes to master list, preparation and distribution.
4. Bank Reconciliation – preparation and maintenance of accounting records.

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

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager or another official review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- 2) Financial Reporting – During the audit, we identified material amounts of revenues and expenses not reported correctly in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly report these amounts in the financial statements.

Recommendation – The Commission should carefully review general ledger postings for revenues and expenses to ensure they are posted consistently from month to month.

Response – We will review general ledger postings for consistency.

Conclusion – Response accepted.

- 3) Investments – Investment balances were not maintained for the fiscal year. At June 30, 2007, investments were understated by \$54,045 due to interest receipts not being recorded. Adjustments were subsequently made to properly record the interest in the Commission's financial statement.

Recommendation – Interest receipts should be posted and investment balances should be periodically reconciled with the investment company records by an independent person.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings (Continued) For the Year Ended June 30, 2007

Findings related to the financial statement (continued):

Significant Deficiencies (continued):

Response – A register will be maintained and reconciled quarterly.

Conclusion – Response accepted.

- 4) Reconciliation of Billings and Collections – A reconciliation of customer billings, collections and receivables was not prepared monthly by the Commission for solid waste received at the landfill. Nor was there any reconciliation between tons billed to tons received at the landfill.

Recommendation – Procedures should be established to reconcile customer billings, collections and receivables each month and reconciliations should be prepared to reconcile tons received to tons billed and paid for.

Response – We will prepare reconciliations as requested by the auditor. Our accountant will prepare the reconciliations each month as recommended.

Conclusion – Response accepted.

- 5) Cancellation of invoices and supporting documents – During our audit we noted invoices were not cancelled at the time they were paid and several invoices and supporting documents for disbursements were unable to be located.

Recommendation – Procedures should be implemented for cancelling invoices and supporting documentation at the time they are paid. These procedures would help prevent unauthorized payment of invoices or payment of invoices from being paid twice.

Response – We will begin cancelling invoices as they are paid.

Conclusion – Response accepted.

- 6) Preparation of Financial Statements in Accordance with Accounting Principles Generally Accepted in the United States of America – Management does not possess adequate knowledge and training in order to prepare financial statements, including required disclosures, in accordance with accounting principles generally accepted in the United States of America. Internal controls should be in place to provide reasonable assurance that the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Misstatement of financial statements and omissions of required disclosures could occur and not be detected.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings (Continued) For the Year Ended June 30, 2007

Findings related to the financial statement (continued):

Significant Deficiencies (continued):

Recommendation – We recommend that personnel in charge of accounting receive additional training in order to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America.

Response – We will obtain training for bookkeepers so they may be sufficiently knowledgeable to prepare a financial statement in accordance with accounting principles generally accepted in the United States of America.

Conclusion – Response accepted.

Instances of Non-Compliance

No matters were reported.

Other findings related to required statutory reporting:

1. 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.
2. 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.
3. Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.

In accordance with Iowa Code Section 21.5 the vote of each member on the question of holding a closed session and the reason for holding a closed session by reference to a specific exemption under the Code of Iowa shall be entered in the minutes. Rathbun Area Solid Waste Management Commission held several closed sessions during the fiscal year, but the minutes did not reflect the vote of each member or the specific exemption for the closed session.

Recommendation – The Commission's minutes should show the vote of each member and specific exemption for going into a closed session.

Response – We will document these items in the future minutes.

Conclusion – Response accepted.

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings (Continued) For the Year Ended June 30, 2007

Other findings related to required statutory reporting (continued):

4. 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.
5. Solid Waste Fees Retainage – During the year ended June 30, 2007, the Rathbun Area Solid Waste Management Commission used the solid waste fees in accordance with Chapter 455B.310 (2) of the Code of Iowa. However, Solid Waste fees were not deposited and transferred timely in accordance with Chapter 455B.310 (2) of the Code of Iowa.

Recommendation – Quarterly transfers of solid waste fees should be made on or before the required due date in order to be in compliance with Chapter 455B.310 (2) of the Code of Iowa.

Response – We have taken action to ensure that future required transfers are made in a timely manner.

Conclusion – Response accepted

6. Financial Assurance – The Commission has attempted to demonstrate 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	\$ 328,880	806,400
Less: Balance of funds held in the local dedicated fund at June 30, 2006, after transfer	<u>(286,304)</u>	<u>(736,210)</u>
	42,576	70,190
Divided by the number of years remaining in the pay-in period	<u>÷ 1</u>	<u>÷ 1</u>
Required total payments into the local dedicated fund for year ended June 30, 2007	42,576	70,190
Balance of funds held in the local dedicated fund at June 30, 2006	<u>286,304</u>	<u>736,210</u>
Required balance of funds held in the local dedicated fund at June 30, 2007	\$ <u>328,880</u>	<u>806,400</u>
Fair market value of the funds the Commission has restricted and reserved for closure and post-closure care at June 30, 2007	\$ <u>319,958</u>	<u>783,345</u>

(continued)

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings (Continued)
For the Year Ended June 30, 2007

Other findings related to required statutory reporting (continued):

The Commission has not demonstrated financial assurance for closure and post-closure care by designating a sufficient amount in a dedicated fund.

Recommendation – The Commission should transfer a sufficient amount to the dedicated fund to demonstrate financial assurance for closure and post-closure care.

Response – We transferred \$112,766 into the closure/post-closure account on July 27, 2007.

Conclusion – Response accepted.

RATHBUN AREA SOLID WASTE MANAGEMENT COMMISSION

Staff

This audit was performed by:

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