

PRAIRIE SOLID WASTE AGENCY

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

Year Ended June 30, 2007

PRAIRIE SOLID WASTE AGENCY
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PRAIRIE SOLID WASTE AGENCY
OFFICIALS
June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Don Irelan	Chairperson	Union County
Gene Dunfee	Vice-Chairperson	City of Arispe
Dave Cunningham	Member	City of Afton
Mike Tamerius	Member	City of Creston
Brian Campbell	Member	City of Cromwell
Kent Forbes	Member	City of Lorimor
Marlin Eivins	Member	City of Macksburg
Terry Gilbert	Member	City of Shannon City
Tom Britt	Member	City of Thayer
Amy Schultes	Office Manager	

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Prairie Solid Waste Agency:

We have audited the accompanying financial statement of Prairie Solid Waste Agency as of and for the year ended June 30, 2007. This financial statement is the responsibility of Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Prairie Solid Waste Agency as of June 30, 2007, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2007, on our consideration of Prairie Solid Waste Agency'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 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 and is not a required part of the 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 required supplementary information. We did not audit the information and express no opinion on it.

D. Napier, Smudgraso, Mickelson + Co., P.C.

November 12, 2007

PRAIRIE SOLID WASTE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Prairie Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Prairie Solid Waste Agency (PSWA) is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Agency's financial statement which follows.

2007 FINANCIAL HIGHLIGHTS

- Operating receipts increased 21%, or approximately \$212,000, from fiscal 2006 to fiscal 2007.
- Operating disbursements increased 2%, or approximately \$12,000, from fiscal 2006 to fiscal 2007.
- Cash basis net assets increased 23%, or approximately \$263,000, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

PSWA 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 Agency'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 the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the PSWA. 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 PSWA's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets – Cash Basis presents information on the PSWA's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

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 Agency and the disbursements paid by PSWA, both operating and non-operating. The statement also presents a fiscal snapshot of the Agency's cash balance at year end. Over time, readers of the financial statement are able to determine the PSWA'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 PSWA. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2006 and June 30, 2005 are presented below:

	<u>Changes in Cash Basis Net Assets</u>	
	<u>2007</u>	<u>2006</u>
Operating receipts:		
Solid waste fees	\$ 857,309	\$ 707,283
City assessments	63,685	63,545
Recycling grants	116,328	42,211
Recycling sales	11,649	20,299
Miscellaneous	<u>357</u>	<u>3,771</u>
Total operating receipts	<u>\$1,049,328</u>	<u>\$ 837,109</u>
Operating disbursements:		
Solid waste contractor	\$ 272,228	\$ 286,020
Closure	1,241	96,814
Other	<u>388,098</u>	<u>266,454</u>
Total operating disbursements	<u>\$ 661,567</u>	<u>\$ 649,288</u>
Excess of operating receipts over operating disbursements	<u>\$ 387,761</u>	<u>\$ 187,821</u>

Non-operating receipts (disbursements):		
Interest on investments	\$ 53,409	\$ 12,285
Recycling collection center equipment	(16,544)	(70)
Building and grounds	<u>(162,066)</u>	<u>(3,691)</u>
Net non-operating receipts (disbursements)	<u>\$ (125,201)</u>	<u>\$ 8,524</u>
Net change in cash basis net assets	\$ 262,560	\$ 196,345
Cash basis net assets, beginning of year	<u>1,153,389</u>	<u>957,044</u>
Cash basis net assets, end of year	<u>\$1,415,949</u>	<u>\$1,153,389</u>

In fiscal 2007, operating receipts increased by \$212,219, or 25%, over fiscal 2006. The increase was primarily a result of increased tonnage we received from the hail storm that went through in May. There were several homes and businesses that needed to be re-shingled and sided.

In fiscal 2007, operating disbursements increased by \$12,279 or 2%, from fiscal 2006.

LONG-TERM DEBT

At June 30, 2007, PSWA had no long-term debt. Next fiscal year, we will start to re-pay the 20 year bond payment for the construction of our new transfer station.

ECONOMIC FACTORS

- The landfill was closed September 30, 2007. We started using the transfer station October 1, 2007.
- Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be another one of transition as the Agency makes important decisions regarding the future of solid waste in this planning area.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Prairie Solid Waste Agency, PO Box 227, Creston, IA 50801.

FINANCIAL STATEMENT

PRAIRIE SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS NET ASSETS
For the Year Ended June 30, 2007

OPERATING RECEIPTS:	
Solid waste fees	\$ 857,309
City assessments	63,685
Recycling grants	116,328
Recycling sales	11,649
Miscellaneous	357
TOTAL OPERATING RECEIPTS	<u>\$ 1,049,328</u>
OPERATING DISBURSEMENTS:	
Salaries and benefits	\$ 47,148
Solid waste contractor	272,228
Iowa Department of Natural Resources tonnage fee	30,265
Regulatory assistance/engineering	41,583
Recycling	123,858
Equipment maintenance	6,409
Ground water monitoring/inspecting	21,289
Road gravel	7,712
Legal, accounting and auditing	60,357
Office equipment and supplies	6,339
Utilities	4,269
Closure	1,241
Insurance	22,112
Land rent	4,900
Miscellaneous	11,857
TOTAL OPERATING DISBURSEMENTS	<u>\$ 661,567</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>\$ 387,761</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Interest on investments	\$ 53,409
Recycling collection center equipment	(16,544)
Building and grounds	(162,066)
TOTAL NON-OPERATING RECEIPTS	<u>\$ (125,201)</u>
CHANGE IN CASH BASIS NET ASSETS	\$ 262,560
Cash basis net assets, beginning of year	<u>1,153,389</u>
Cash basis net assets, end of year	<u><u>\$ 1,415,949</u></u>
CASH BASIS NET ASSETS:	
Restricted for:	
Closure	\$ 252,448
Postclosure care	470,301
Total restricted net assets	<u>\$ 722,749</u>
Unrestricted	693,200
TOTAL CASH BASIS NET ASSETS	<u><u>\$ 1,415,949</u></u>

The Notes to Financial Statements are an integral part of this statement.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1. Summary of Significant Accounting Policies

The Prairie Solid Waste Agency, formerly the Union County Solid Waste Management Commission, was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities in Union County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each member. The members of the Agency include Union County and the cities of Afton, Arispe, Creston, Cromwell, Kent, Lorimor, Macksburg, Shannon City and Thayer. Each member of the Agency has one vote, except for Union County and the City of Creston, which each have six votes. Currently, the Agency contracts for landfill operations.

Reporting Entity

For financial reporting purposes, the Prairie Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency'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 Agency 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 Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Agency 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.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Restricted Cash Basis Net Assets

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

Note 2. Cash and Investments

The Agency'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 Agency 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 Agency's had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

The Agency had \$14,935 of deposits held by the Union County Treasurer at June 30, 2007.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 3. Pension and Retirement Benefits

The Agency 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 Agency is required to contribute 5.75% of annual covered payroll. The Agency's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005, were \$2,167, \$2,266, and \$2,055 respectively, equal to the required contributions for the year.

Note 4. Closure and Postclosure Care

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

Government Accounting Standards Board Statement No. 18 required 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.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 4. Closure and Postclosure Care (continued)

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 Prairie Solid Waste Agency have been estimated to be \$252,448 for closure and \$686,166 for postclosure care, for a total of \$938,614. The estimated remaining life of the landfill is one year, with approximately 95 percent of the landfill's capacity used 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 establishes 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 the landfilling of waste in this area must cease as of 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. Effective October 1, 2007, the Prairie Solid Waste Agency Board has approved the conversion of the landfill into a transfer station.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Prairie Solid Waste Agency has begun to accumulate resources to fund these costs and, at June 30, 2007, assets of \$722,749 are restricted for these purposes, of which \$252,448 is for closure and \$470,301 is for postclosure care. 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 postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the Dedicated Fund financial assurance mechanism. Under this mechanism, the Agency 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.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 4. Closure and Postclosure Care (continued)

- 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 fund

Y = number years remaining in the pay-in period

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code, the Agency has adopted a letter of credit mechanism for additional financial assurance for funding future postclosure costs.

Chapter 567-111.8(7) of the IAC allows a government to choose the Dedicated Fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

Note 5. Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2007, the Agency had no unspent tonnage fees.

Note 6. Risk Management

The Prairie Solid Waste Agency is exposed to various risks of loss related to torts, theft, and 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PRAIRIE SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 7. Landfill Operator Contract

The Prairie Solid Waste Agency has entered into a contract with Union County Management Services, Inc. for the operation of the landfill. 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, the operator was paid \$272,228 during the year ended June 30, 2007.

Note 8. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation payments at June 30, 2007 was \$0. The liability has been computed based on rates of pay in effect at June 30, 2007.

Note 9. Major Customer

A material part of the Agency's business is dependent upon one customer, the loss of which could have a materially adverse effect on the Agency's revenues. During the year ended June 30, 2007, this customer accounted for approximately 61% of the tipping fees.

Note 10. Subsequent Event

The Prairie Solid Waste Agency plans to close all existing cells by October 1, 2007 in order to comply with minimum liner standards established by the Environmental Protection Agency and adopted by the Iowa Department of Natural Resources. The Agency Board has approved the conversion of the landfill into a transfer station.

In August 2007, the Agency was awarded a U.S. Department of Agriculture Rural Development Solid Waste Management Grant for \$61,000.

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 Prairie Solid Waste Agency:

We have audited the financial statements of the business-type activities of Prairie Solid Waste Agency, as of and for the year ended June 30, 2007, which collectively comprise the Prairie Solid Waste Agency's basic financial statements and have issued our report thereon dated November 12, 2007. Our report expressed an unqualified opinion on the financial statements which were 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 Prairie Solid Waste Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie Solid Waste Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prairie Solid Waste Agency's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Prairie Solid Waste Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Prairie Solid Waste Agency's

financial statements that is more than inconsequential will not be prevented or detected by Prairie Solid Waste Agency's internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Prairie Solid Waste Agency'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 none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prairie Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. 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.

Prairie Solid Waste Agency's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Prairie Solid Waste Agency's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the management, the audit committee, Board Members, other parties to whom Prairie Solid Waste Agency may report and is not intended to be and should not be used by anyone other than these specified parties.

Drapen, Smidgrass, Mickelson + Co., P.C.

November 12, 2007

PRAIRIE SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

REPORTABLE CONDITION

2007-I-A Segregation of duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of the aspects of accounting internal controls which rely on adequate segregation of duties, for all reasonable purposes, are missing in the Agency.

Recommendation: We realize that it may not be economically feasible for Prairie Solid Waste Agency to employ additional personnel for the sole purpose of segregating duties, however, we feel it is our professional responsibility to bring the control deficiency to your attention. We would recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the Agency.

Response and corrective action planned: The Agency will segregate duties to the extent possible with the current number of employees. Additional review of the financial information will be performed by the Board to ensure transactions and duties are being performed in accordance with the procedures established by the Board.

Conclusion: Response accepted.

OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

2007-II-1 Questionable Disbursements: No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

2007-II-2 Travel Expense: No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

2007-II-3 Agency Minutes: No transactions were found that we believe should have been approved in the Agency minutes but were not.

2007-II-4 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 commission's investment policy were noted.

2007-II-5 Solid Waste Tonnage Fees Retained: During the year ended June 30, 2007, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.

2007-II-6 Financial Assurance: The Agency has demonstrated financial assurance for closure and post closure costs by establishing a local government dedicated fund and by obtaining a letter of credit as provided by Chapter 111.6(9) and 111.6(3) of the Iowa Administrative Code respectively. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs	\$ 252,448	\$ 686,166
Balance in dedicated accounts 6/30/2006	<u>102,882</u>	<u>446,023</u>
	\$ 149,566	\$ 240,143
Years remaining in pay in period Requirement to dedicated accounts 6/30/2007	<u>1</u>	<u>1</u>
	\$ 149,566	\$ 240,143
Balance in dedicated accounts 6/30/2007	<u>102,882</u>	<u>446,023</u>
Required balance in dedicated accounts 6/30/2007	<u>\$ 252,448</u>	<u>\$ 686,166</u>
Agency dedicated accounts at 6/30/2007	<u>\$ 252,448</u>	<u>\$ 470,301</u>
Excess(deficit)	<u>\$ ---</u>	<u>\$(215,865)</u>

As required by Iowa Department of Natural Resources, the required deposit was made May 31, 2007.

At June 30, 2006 the restricted account for postclosure was short the required balance by \$215,865.

Recommendation: The Agency should demonstrate financial assurance either by depositing an amount to remove the deficiency, or by re-designating other funds as necessary to comply with the Iowa Administrative Code.

Response: The transfer to fund the postclosure fund was made in July rather than in May with the approval of the Iowa Department of Natural Resources.

Conclusion: Response acknowledged.