

South Central Iowa Landfill Agency

Financial Statements and Required Supplementary Information
(With Independent Auditor's Reports Thereon)
June 30, 2007 and 2006

SOUTH CENTRAL IOWA LANDFILL AGENCY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Tim Zisoff	Chairperson	City of Indianola
Mark Nitchals	Vice Chairperson	City of Winterset
Pete Berry	Board member	City of Indianola
Roy Seymour	Board member	Warren County
Bob Weeks	Board member	Madison County

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
South Central Iowa Landfill Agency

We have audited the accompanying financial statements of South Central Iowa Landfill Agency as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Iowa Landfill Agency as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2007 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contract 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 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in the statements of operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 26, 2007

SOUTH CENTRAL IOWA LANDFILL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

South Central Iowa Landfill Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 11.9%, or \$110,675 from fiscal 2006 to fiscal 2007 due to a decrease in tonnage of waste received.
- The Agency's operating expenses were 17.4%, or \$142,144 more in fiscal 2007 than in fiscal 2006.
- The Agency's net assets decreased \$8,219 from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2007

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal 2007 totaled approximately \$4,003,000. This compares to net assets of approximately \$4,012,000 for fiscal 2006.

	Net Assets	
	2007	2006
Current Assets	1,095,951	1,776,054
Restricted assets	1,788,769	1,731,783
Capital assets at cost, less accumulated depreciation	1,828,984	1,572,146
Total Assets	\$4,713,704	5,079,983
Current Liabilities	35,108	434,640
Noncurrent Liabilities	675,142	633,670
Total Liabilities	710,250	1,068,310
Net Assets:		
Invested in capital assets	1,828,984	1,572,146
Restricted	1,788,769	1,731,783
Unrestricted	385,701	707,744
Total Net Assets	\$4,003,454	4,011,673

\$1,788,769 of the Agency's net assets is the restricted for closure and postclosure care. State and federal laws and regulations require the Agency 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 invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net asset are resources allocated to capital assets. The remaining net assets are the unrestricted net assets that can be used to meet the Agency's obligations as they come due.

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2007

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are primarily received from gate fees from accepting solid waste. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and change in net assets for the years ended June 30, 2007 and 2006 is presented below:

	Changes in Net Assets	
	2007	2006
Operating Revenues		
Gate fees	\$ 815,059	920,807
Late charges	3,024	7,951
	818,083	928,758
 Operating Expenses		
Personnel	216,523	190,127
Equipment operation and property maintenance	266,951	269,065
Depreciation	280,075	194,946
Engineering	43,323	26,793
Tonnage fees	83,052	96,394
Closure and postclosure care	41,472	11,840
Office and general	25,379	25,466
Total operating expenses	956,775	814,631
Operating income (loss)	(138,692)	114,127
 Nonoperating Revenues		
Interest income	130,473	84,363
Increase (decrease) in net assets	(8,219)	198,490
Net assets, beginning of year	4,011,673	3,813,183
Net assets, end of year	\$4,003,454	4,011,673

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2007

The Statement of Revenues, Expenses and Changes in Net Assets reflects a stable year with little change in the net assets at the end of the fiscal year.

In fiscal 2007, operating revenues decreased by \$110,675, or 11.9% as a result of gate fees decreasing due to a decrease in the volume of collections. Operating expenses increased by \$142,144, or 17.4%. The increase was primarily a result of increases in depreciation expense of approximately \$85,000, personnel expenses of approximately \$26,000 and accrued closure and postclosure care expenses of approximately \$30,000.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes cash deposited to restricted accounts and interest income.

CAPITAL ASSETS

At June 30, 2007, the Association had approximately \$1,829,000 invested in capital assets, net of accumulated depreciation of approximately \$1,317,600. Depreciation charges totaled \$280,075 for fiscal 2007. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2007, the Agency had \$675,142 in debt outstanding, an increase of \$41,472 from 2006. The table below summarized outstanding debt by type.

	June 30,	
	<u>2007</u>	<u>2006</u>
Closure and postclosure care cost	<u>\$ 675,142</u>	<u>633,670</u>

Additional information about the Agency's long-term debt is presented in Note 6 to the financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2007

ECONOMIC FACTORS

South Central Iowa Landfill Agency 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 Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep.
- 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 much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

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 South Central Iowa Landfill Agency, 2496 Highway 92, Winterset, IA 50273.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Statements of Net Assets
June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and short-term investments	\$ 274,304	511,158
Investments, including certificates of deposit of \$630,501 (2006 - \$1,039,312)	730,193	1,139,006
Accounts receivable	64,378	101,915
Accrued interest receivable	20,189	18,151
Prepaid insurance	6,887	5,824
Total current assets	<u>1,095,951</u>	<u>1,776,054</u>
Restricted assets		
Investments, including certificates of deposit of \$1,369,693 (2006 - \$1,731,783)	<u>1,788,769</u>	<u>1,731,783</u>
Capital assets		
Land and improvements	400,388	400,388
Buildings and improvements	1,043,636	534,131
Equipment	1,702,580	1,679,654
	<u>3,146,604</u>	<u>2,614,173</u>
Less accumulated depreciation	<u>1,317,620</u>	<u>1,042,027</u>
	<u>1,828,984</u>	<u>1,572,146</u>
	<u>\$ 4,713,704</u>	<u>5,079,983</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 29,627	26,461
Equipment purchase payable	-	401,800
Accrued wages and benefits payable	5,481	6,379
Total current liabilities	<u>35,108</u>	<u>434,640</u>
Accrued closure and postclosure care expenses	<u>675,142</u>	<u>633,670</u>
NET ASSETS		
Invested in capital assets	1,828,984	1,572,146
Restricted for		
Closure	317,100	317,100
Postclosure care	1,471,669	1,414,683
Unrestricted	385,701	707,744
	<u>4,003,454</u>	<u>4,011,673</u>
	<u>\$ 4,713,704</u>	<u>5,079,983</u>

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY
 Statements of Revenues, Expenses, and Changes in Net Assets
 Years Ended June 30, 2007 and 2006

	2007	2006
Operating Revenues		
Gate fees	\$ 815,059	920,807
Late charges	3,024	7,951
	818,083	928,758
Operating Expenses		
Personnel	216,523	190,127
Equipment operation and property maintenance	266,951	269,065
Depreciation	280,075	194,946
Engineering	43,323	26,793
Tonnage fees	83,052	96,394
Closure and postclosure care	41,472	11,840
Office and general	25,379	25,466
	956,775	814,631
Total operating expenses		
	(138,692)	114,127
Operating income (loss)		
Nonoperating Revenues		
Interest income	130,473	84,363
	(8,219)	198,490
Increase (decrease) in net assets		
Net assets, beginning of year	4,011,673	3,813,183
Net assets, end of year	\$ 4,003,454	4,011,673

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Cash received from customers	\$ 855,620	931,834
Cash paid to suppliers for goods and services	(416,602)	(427,807)
Cash paid to employees for services	(217,421)	(187,638)
Net cash provided by operating activities	221,597	316,389
 Cash flows from capital and related financing activities		
Acquisition of capital assets	(536,913)	(894,280)
Equipment purchase payable	(401,800)	401,800
Net cash used by capital and related financing activities	(938,713)	(492,480)
 Cash flows from investing activities		
Purchases of investments	(495,801)	(496,546)
Maturities of investments	847,628	200,000
Interest income received	128,435	81,766
Net cash used by investing activities	480,262	(214,780)
 Net increase (decrease) in cash and short-term investments	(236,854)	(390,871)
Cash and short-term investments, beginning of year	511,158	902,029
 Cash and short-term investments, end of year	\$ 274,304	511,158
 Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (138,692)	114,127
Adjustments		
Depreciation	280,075	194,946
(Increase) decrease in accounts receivable	37,537	3,076
(Increase) decrease in prepaid insurance	(1,063)	91
Increase (decrease) in accounts payable	3,166	(10,180)
Increase (decrease) in accrued wages and benefits payable	(898)	2,489
Increase in accrued closure and postclosure care expenses	41,472	11,840
Net cash provided by operating activities	\$ 221,597	316,389

See accompanying notes to financial statements

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements

June 30, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Central Iowa Landfill Agency (the "Agency") was formed in 1980 by the City of Winterset, Iowa, Madison County, Iowa and the City of Indianola, Iowa pursuant to the powers granted by Chapters 28E and 28F of the Code of Iowa of 1979, as amended. The entities forming the Agency made initial capital contributions and sold general obligation bonds to finance the Agency. The Agency subsequently repaid the bonds in full and agreed to return the capital contributions. The purpose of the Agency is to operate, manage, maintain, and control the solid waste disposal facilities for solid waste produced and generated within Madison County, and the cities of Winterset and Indianola, Iowa.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and two individuals selected by the representatives of the other participating governments.

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

- A. Reporting Entity – For financial reporting purposes, the 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. South Central Iowa Landfill Agency has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Presentation - The accounts of the Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- D. Assets, Liabilities and Net Investments – The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. At June 30, 2007 the Agency had no cash investments not meeting the definition of cash equivalents.

Restricted Assets – The Agency has established a local designated fund for payment of closure and postclosure care costs. Certificates of deposit identified as part of the fund have been classified as restricted assets.

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

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Investments (Continued) – Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Land and improvements	10 - 50
Buildings and improvements	10 - 40
Equipment and vehicles	5 - 10

2. CASH AND INVESTMENTS

The Agency's deposits 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 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 Board of Directors; 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.

Interest Rate Risk – The Agency'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 Agency.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2007 and 2006

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 for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$9,295, \$7,764, and \$7,389 respectively, equal to the required contributions for each year.

Effective July 1, 2000 the Agency established a deferred compensation plan covering all full-time employees. The plan provides the Agency will match up to \$30 per month of eligible employee contributions. Agency contributions to the plan for the year ended June 30, 2007 were \$1,560 (2006 - \$1,470).

4. CAPITAL ASSETS

A summary of capital assets at June 30, 2007 is as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets being depreciated:				
Land and improvements	\$ 400,388	-	-	400,388
Buildings and improvements	534,131	513,987	4,482	1,043,636
Equipment	1,679,654	22,926	-	1,702,580
Total capital assets being depreciated	<u>2,614,173</u>	<u>536,913</u>	<u>4,482</u>	<u>3,146,604</u>
Less accumulated depreciation for:				
Land and improvements	88,620	6,330	-	94,950
Buildings and improvements	199,218	22,801	4,482	217,537
Equipment	<u>754,189</u>	<u>250,944</u>	<u>-</u>	<u>1,005,133</u>
Total accumulated depreciation	1,042,027	280,075	4,482	1,317,620
Total capital assets, net	<u>\$1,572,146</u>	<u>256,838</u>	<u>-</u>	<u>1,828,984</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2007 and 2006

5. EQUIPMENT PURCHASE PAYABLE

The Agency entered into a rental purchase agreement in June 2006 for equipment. The agreement calls for pre-paid rental fees that will be applied towards the purchase at the end of four months. In October 2006 the Agency agreed to purchase the equipment. The equipment was put in service as of June 2006 with a payable for the total purchase price recorded at that time.

6. CLOSURE AND POSTCLOSURE CARE COSTS

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

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

The total costs for the Agency have been estimated at \$317,100 for closure and \$1,050,000 for postclosure care for a total of \$1,367,100 as of June 30, 2007 and the portion of the liability that has been recognized is \$675,142. This liability represents the cumulative amount reported to date based on the use of approximately 49 percent of the capacity of the landfill with a remaining life of approximately 21 years. A provision for the above liability has been made on the Agency's balance sheet as of June 30, 2007, based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2007 and 2006

5. CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated resources to fund these costs and, at June 30, 2007, assets of \$1,788,769 are restricted for these purposes, of which \$317,100 is for closure and \$1,471,669 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets.

6. SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using those portions of solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2007, there were no unspent amounts retained by the Agency and restricted for the required purposes.

7. LOCAL GOVERNMENT RISK POOL

The Agency 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 members' 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.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2007 and 2006

7. LOCAL GOVERNMENT RISK POOL (CONTINUED)

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 Agency's property and casualty contributions to the risk pool are recorded as expenditures over the period of coverage. The Agency's annual contributions to the Pool for the year ended June 30, 2007 were \$21,349 (2006 - \$17,872).

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event 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 company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Statements of Operating Expenses
Years Ended June 30, 2007 and 2006

	2007	2006
Personnel Expenses:		
Salaries and wages	\$ 159,931	137,114
Payroll taxes	12,367	10,497
IPERS	9,295	7,890
Retirement contributions	1,560	1,470
Group insurance	28,856	27,762
Workers' compensation insurance	4,514	5,394
	216,523	190,127
Equipment Operation and Property Maintenance Expenses:		
Fuel expense	83,684	58,063
Repairs and maintenance	58,793	95,741
Rock and road stone	8,429	4,106
Insurance	23,354	17,992
Licenses and fees	234	156
Recyclables expense, net	54,317	51,530
Household hazardous waste fees	38,140	41,477
	266,951	269,065
Depreciation	280,075	194,946
Planning and permits engineering	43,323	26,793
Tonnage fees	83,052	96,394
Closure and postclosure care	41,472	11,840
Office and General Expenses:		
Utilities	13,093	11,145
Telephone	1,288	2,284
Office supplies	3,252	5,135
Postage	156	374
Advertising and printing	4,987	2,705
Dues, conferences and meetings	203	1,323
Professional fees	2,400	2,500
	25,379	25,466
	\$ 956,775	814,631

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
South Central Iowa Landfill Agency

We have audited the accompanying financial statements of South Central Iowa Landfill Agency as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007.

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 South Central Iowa Landfill 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 our opinion on the effectiveness of South Central Iowa Landfill Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Central Iowa Landfill 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 deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the South Central Iowa Landfill Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the South Central Iowa Landfill Agency's financial statements that is more than inconsequential will not be prevented or detected by the South Central Iowa Landfill Agency's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the South Central Iowa Landfill 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 considered that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Central Iowa Landfill Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

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.

The South Central Iowa Landfill Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit the South Central Iowa Landfill Agency'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 officials, employees and citizens of the South Central Iowa Landfill Agency and other parties to whom the South Central Iowa Landfill Agency 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 South Central Iowa Landfill Agency 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.

October 26, 2007

SOUTH CENTRAL IOWA LANDFILL AGENCY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Findings Related to the General Purpose Financial Statements:

SIGNIFICANT DEFICIENCIES:

07-A Segregation of Duties - During our review of the internal control over financial reporting, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Agency's financial statements. We noted that one individual performs all record-keeping and reconciling functions for the Agency.

Recommendation - We realize that with a limited number of employees, segregation of duties is impractical. We recommend the Agency Board review monthly receipts and disbursements, accounts receivable and payable lists and bank reconciliations for unusual or unauthorized transactions.

Response and Corrective Action Planned - We have reviewed the number of staff necessary to perform accounting duties for the Agency and have no plans to add staff. The Agency Board is aware of the possibility for errors or fraud to occur.

Conclusion - Response accepted.

07-B Financial Reporting – Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and training to select and apply accounting principles and prepare financial statements including footnote disclosures. Management presently lacks the training to appropriately fulfill these responsibilities.

Recommendation – This situation is very common in small entities. Obtaining additional knowledge through reading accounting literature or attending professional education courses should help management improve their ability to prepare and take responsibility for reliable financial statements prepared in accordance with generally accepted accounting principles.

Response and Corrective Action Planned - We will consider this.

Conclusion - Response accepted.

SOUTH CENTRAL IOWA LANDFILL AGENCY
 Schedule of Findings and Questioned Costs - Continued
 Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- 07-1 Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 07-2 Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- 07-3 Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
- 07-4 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 07-5 Solid Waste Fees Retainage - During the year ended June 30, 2007, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- 07-6 Financial Assurance - The Association has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 1,340,100
Less: Balance of funds held in the local dedicated fund at June 30, 2006	<u>1,731,783</u>
	-
Divided by the number of years remaining in the pay-in period	1
Required payment into the local dedicated fund for the year ended June 30, 2007	\$ -
Balance of funds held in the local dedicated fund at June 30, 2006	<u>1,731,783</u>
Required balance of funds held in the local dedicated fund at June 30, 2007	<u>\$ 1,340,100</u>
Amount Association has restricted and reserved for closure and postclosure care at June 30, 2007	<u>\$ 1,788,769</u>