

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

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

June 30, 2010 and 2009

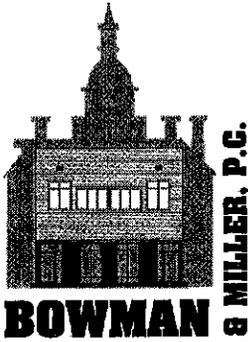
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# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
John Zimmerman	Chairperson	Butler County Solid Waste Commission
Jody Anderson	Vice Chairperson	Hardin County Sanitary Solid Waste Disposal Commission
Ed Bear	Member	Hardin County Sanitary Solid Waste Disposal Commission
Bob Greenlee	Member	Butler County Solid Waste Commission
Dan Aastrup	Landfill Manager	



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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James R. Bowman, CPA • jim@bowmanandmillerpc.com  
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' Report

To the Members of the Rural Iowa Waste  
Management Association:

We have audited the accompanying financial statements of the Rural Iowa Waste Management Association as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Rural Iowa Waste Management Association as of June 30, 2009, were audited by other auditors whose report dated January 22, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Iowa Waste Management Association at June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2010 on our consideration of the Rural Iowa Waste Management Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 7 and page 22 are not required parts of the basic financial statements, but are 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.

*Bowman & Miller, P.C.*

October 29, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Rural Iowa Waste Management Association provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2010 and 2009. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- ◆ The Association's operating revenues decreased 27.0%, or \$513,190, from fiscal year 2009 to fiscal year 2010.
- ◆ The Association's operating expenses were 4.2%, or \$47,421, more in fiscal year 2010 than in fiscal year 2009.
- ◆ The Association's net assets increased 11.9%, or \$270,999, from June 30, 2009 to June 30, 2010.

### USING THIS ANNUAL REPORT

The Rural Iowa Waste Management Association is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Rural Iowa Waste Management Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

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

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

The Statements of Revenues, Expenses and Changes in Nets Assets are the basic statements of activities for proprietary funds. These statements present information on the Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Association's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Association financed its activities and how it met its cash requirements.

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

Required Supplementary Information presents the Schedule of Funding Progress for the Retiree Health Plan.

## FINANCIAL ANALYSIS OF THE ASSOCIATION

### *Statements of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Association's financial position. The Association's net assets at the end of fiscal year 2010 totaled approximately \$2,549,000. This compares to approximately \$2,278,000 at the end of fiscal year 2009. A summary of the Association's net assets is presented below.

	Net Assets	
	June 30,	
	2010	2009
Current assets	\$ 1,112,432	988,230
Restricted investments	1,287,250	1,157,825
Capital assets at cost, less accumulated depreciation	2,709,161	2,984,989
Total assets	<u>5,108,843</u>	<u>5,131,044</u>
Current liabilities	187,884	460,789
Noncurrent liabilities	2,371,859	2,392,154
Total liabilities	<u>2,559,743</u>	<u>2,852,943</u>
Net assets:		
Invested in capital assets, net of related debt	2,219,322	2,384,694
Restricted	263,548	148,940
Unrestricted	66,230	(255,533)
Total net assets	<u>\$ 2,549,100</u>	<u>2,278,101</u>

The unrestricted portion of the Association's net assets (3%) may be used to meet the Association's obligations as they come due. The invested in capital assets (e.g. land, land improvements, buildings and equipment), less the related debt portion of net assets (87%) are resources allocated to capital assets. The remaining net assets (10%) are restricted for closure and postclosure care and for tonnage fees held. State and federal laws and regulations require the Association to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

*Statements of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for interest income and gain on sale of equipment and non-operating expenses are for interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2010 and 2009 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2010	2009
Operating revenues:		
Gate fees	1,383,320	1,861,285
Other operating revenues	5,667	30,261
Miscellaneous	-	10,631
Total operating revenues	<u>1,388,987</u>	<u>1,902,177</u>
Operating expenses:		
Salaries and employee benefits	219,647	220,962
Travel, meetings and dues	1,856	2,631
Office expenses	3,717	8,920
Advertising and printing	838	915
Legal and accounting	17,529	14,325
Insurance	25,191	23,775
Site utilities	14,518	15,795
Tonnage fees	54,474	59,334
Site maintenance	212,744	200,814
Equipment repair and maintenance	17,415	27,344
Closure and postclosure care costs	184,694	96,450
Long range planning and engineering	27,310	-
Depreciation	386,584	440,318
Miscellaneous	7,784	15,297
Total operating expenses	<u>1,174,301</u>	<u>1,126,880</u>
Operating income	<u>214,686</u>	<u>775,297</u>
Non-operating revenues (expenses):		
Interest income	34,270	48,411
Land contract	-	(17,000)
Gain on sale of equipment	59,883	117,537
Interest expense	(37,840)	(34,068)
Net non-operating revenues	<u>56,313</u>	<u>114,880</u>
Change in net assets	270,999	890,177
Net assets beginning of year	<u>2,278,101</u>	<u>1,387,924</u>
Net assets end of year	<u>\$ 2,549,100</u>	<u>2,278,101</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets at the end of the fiscal year.

In fiscal year 2010, operating revenues decreased \$513,190, or 27.0%, primarily a result of gate fees decreasing approximately \$478,000 due to a high volume of collections in fiscal year 2009 from storm damage, as well as the overall state of the economy. Operating expenses increased \$47,421, or 4.2%. The increase was primarily a result of closure and postclosure care increasing approximately \$88,000.

### *Statements of Cash Flows*

The Statements of Cash Flows present 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 and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes the purchase of certificates of deposits and interest income.

### **CAPITAL ASSETS**

At June 30, 2010, the Association had approximately \$2.7 million invested in capital assets, net of accumulated depreciation of approximately \$2.0 million. Depreciation expense totaled \$386,584 and \$440,318 for fiscal years 2010 and 2009, respectively. More detailed information about the Association's capital assets is presented in Note 5 to the financial statements.

### **LONG-TERM DEBT**

At June 30, 2010, the Association had \$2,509,693 in long-term liabilities outstanding, a decrease of \$12,155 from 2009. The table below summarizes outstanding the long-term liabilities by type.

	June 30,	
	2010	2009
Revenue bonds payable	\$ 305,000	355,000
Note payable	303,789	383,638
Land contract payable	-	67,000
Landfill closure and postclosure care	<u>1,900,904</u>	<u>1,716,210</u>
Total	<u>\$ 2,509,693</u>	<u>2,521,848</u>

Additional information about the Association's long-term liabilities is presented in Notes 6, 7, and 8 to the financial statements.

### **ECONOMIC FACTORS**

The Rural Iowa Waste Management Association continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Association officials. Some of the realities which may potentially become challenges for the Association to meet are:

- ◆ Facilities at the Association 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.
- ◆ Volatility of the recyclables markets and the effect on net processing cost and product throughput volume.

- ◆ Federal and State solid waste legislation and rule revisions and their effect on the current operating costs and long-term closure and postclosure care costs and a dedicated restricted fund to pay for closure and postclosure and corrective costs.
- ◆ New Federal and State mandates require monitoring and control of greenhouse gases.
- ◆ The effect of increasing fuel and energy costs on operations.

The Association anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Association's ability to react to unknown issues.

### **CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT**

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

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Exhibit A

## Statements of Net Assets June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 919,640	705,729
Restricted cash	59,923	105,559
Accounts receivable	118,169	167,753
Prepaid insurance	14,248	9,189
Deposits	452	-
Total current assets	<u>1,112,432</u>	<u>988,230</u>
Noncurrent assets:		
Restricted investments	1,287,250	1,157,825
Capital assets (net of accumulated depreciation)	2,709,161	2,984,989
Total noncurrent assets	<u>3,996,411</u>	<u>4,142,814</u>
<b>Total assets</b>	<u>5,108,843</u>	<u>5,131,044</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	50,050	331,095
Current portion of:		
Revenue bonds payable	55,000	50,000
Note payable	82,834	79,694
Total current liabilities	<u>187,884</u>	<u>460,789</u>
Noncurrent liabilities:		
Revenue bonds payable	250,000	305,000
Note payable	220,955	303,944
Land contract payable	-	67,000
Landfill closure and postclosure care	1,900,904	1,716,210
Total noncurrent liabilities	<u>2,371,859</u>	<u>2,392,154</u>
<b>Total liabilities</b>	<u>2,559,743</u>	<u>2,852,943</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	2,219,322	2,384,694
Restricted for:		
Debt service	143,645	90,494
Closure and postclosure care	119,903	58,446
Unrestricted	<u>66,230</u>	<u>(255,533)</u>
<b>Total net assets</b>	<u>\$ 2,549,100</u>	<u>2,278,101</u>

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION  
Statements of Revenues, Expenses and  
Changes in Net Assets  
Years ended June 30, 2010 and 2009**

Exhibit B

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Gate fees	\$ 1,383,320	1,861,285
Other operating revenues	5,667	30,261
Miscellaneous	-	10,631
Total operating revenues	<u>1,388,987</u>	<u>1,902,177</u>
Operating expenses:		
Salaries and employee benefits	219,647	220,962
Travel, meetings and dues	1,856	2,631
Office expenses	3,717	8,920
Advertising and printing	838	915
Legal and accounting	17,529	14,325
Insurance	25,191	23,775
Site utilities	14,518	15,795
Tonnage fees	54,474	59,334
Site maintenance	212,744	200,814
Equipment repair and maintenance	17,415	27,344
Closure and postclosure care	184,694	96,450
Long range planning and engineering	27,310	-
Depreciation	386,584	440,318
Miscellaneous	7,784	15,297
Total operating expenses	<u>1,174,301</u>	<u>1,126,880</u>
Operating income	<u>214,686</u>	<u>775,297</u>
Non-operating revenues (expenses):		
Interest income	34,270	48,411
Land contract	-	(17,000)
Gain on sale of equipment	59,883	117,537
Interest expense	(37,840)	(34,068)
Net non-operating revenues	<u>56,313</u>	<u>114,880</u>
Change in net assets	270,999	890,177
Net assets beginning of year	<u>2,278,101</u>	<u>1,387,924</u>
Net assets end of year	<u>\$ 2,549,100</u>	<u>2,278,101</u>

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

Exhibit C

**Statements of Cash Flows  
Years ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Cash received from gate fees	\$ 1,432,904	1,947,389
Cash received from reimbursements	-	10,631
Cash received from other operating receipts	5,667	30,261
Cash paid to suppliers for goods and services	(669,932)	(175,296)
Cash paid to employees for services	(219,647)	(220,962)
Net cash provided by operating activities	<u>548,992</u>	<u>1,592,023</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(117,874)	(1,549,951)
Sale of land	-	17,000
Principal paid on revenue bonds	(50,000)	(50,000)
Interest paid on revenue bonds	(24,371)	(25,810)
Principal paid on other debt	(79,849)	(80,505)
Interest paid on other debt	(13,469)	(8,258)
Note proceeds	-	422,565
Net cash used by capital and related financing activities	<u>(285,563)</u>	<u>(1,274,959)</u>
<b>Cash flows from investing activities:</b>		
Purchase of certificates of deposit	(129,424)	(104,711)
Interest received	34,270	48,411
Net cash used by investing activities	<u>(95,154)</u>	<u>(56,300)</u>
Net increase in cash and cash equivalents	168,275	260,764
Cash and cash equivalents beginning of year	<u>811,288</u>	<u>550,524</u>
Cash and cash equivalents end of year	<u>\$ 979,563</u>	<u>811,288</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ <u>214,686</u>	<u>775,297</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	386,584	440,318
Closure and postclosure care	184,694	50,777
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	49,584	86,105
(Increase) decrease in prepaid items	(5,059)	(5,895)
(Increase) decrease in deposits	(452)	-
(Decrease) increase in accounts payable	(281,045)	245,421
Total adjustments	<u>334,306</u>	<u>816,726</u>
Net cash provided by operating activities	<u>\$ 548,992</u>	<u>1,592,023</u>
<b>Non-cash capital and related financing activities:</b>		
Capital assets traded in	-	208,000

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements June 30, 2010 and 2009

### (1) Summary of Significant Accounting Policies

The Rural Iowa Waste Management Association was formed in 1994 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Association is to effectively provide for the sanitary disposal of solid waste within the boundaries of Butler and Hardin Counties through the joint operation of a landfill site and the initiation of such other solid waste reduction or recycling programs as the member Commissions deem necessary and beneficial to the citizens they serve.

The Association is composed of one member from each of the following two Commissions: Butler County Solid Waste Commission and Hardin County Sanitary Solid Waste Disposal Commission. Each Commission shall appoint one member and one alternate to serve in the absence of their respective representative. Representatives and alternates shall serve for one year or until the Association receives a new written notification from the respective Commission of the appointment of a new appointee.

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

#### A. Reporting Entity

For financial reporting purposes, the Rural Iowa Waste Management Association has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2010 and 2009

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

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

#### D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statements of Net Assets:

Cash, Investments and Cash Equivalents – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2010 and 2009 include certificates of deposit of \$1,287,250 and \$1,157,825, respectively.

Restricted Investments – Funds set aside for revenue bond principal and interest payments and payment of closure and postclosure care costs are classified as restricted.

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Notes to Financial Statements (Continued)  
June 30, 2010 and 2009**

(1) **Summary of Significant Accounting Policies (Continued)**

D. Assets, Liabilities and Net Investments (Continued)

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

Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	39
Equipment and vehicles	2 – 30
Land improvements	5 – 10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2010 and 2009.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2010 and 2009

### (2) Cash and Investments

The Association's deposits in banks at June 30, 2010 and 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

### 3) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the Association is required to contribute 6.65% of covered salary. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$11,985, \$10,244 and \$9,119, respectively, equal to the required contributions for each year.

### (4) Other Postemployment Benefits (OPEB)

The Association implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions during the year ended June 30, 2010.

The Association participates in the Hardin County post retirement medical plan (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2010 and 2009

### (4) Other Postemployment Benefits (OPEB) (Continued)

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the Association. The Association currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The Association's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Association, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Association's annual OPEB cost for the year ended June 30, 2010, the amount actuarially contributed to the plan and changes in the Association's net OPEB obligation:

Annual required contribution	\$ 2,971
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	2,971
Contributions made	-
Increase in net OPEB obligation	2,971
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ <u>2,971</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The Association's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized below:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$2,971	0%	\$2,971

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2010 and 2009

### (4) Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$28,489, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$28,489. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$160,240 and the ratio of the UAAL to covered payroll was 17.8%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the Association's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement possibilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$643 per month for retirees less than age 65 and selecting the Alliance Select program and \$583 per month for retirees less than age 65 and selecting the Blue Advantage program. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2010 and 2009

### (5) Capital Assets

A summary of capital assets at June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 152,445	-	2,545	149,900
Construction in progress	1,075,209	-	1,075,209	-
	<u>1,227,654</u>	<u>-</u>	<u>1,077,754</u>	<u>149,900</u>
Capital assets being depreciated:				
Buildings	120,000	6,175	-	126,175
Land improvements	1,376,661	1,139,176	-	2,515,837
Equipment and vehicles	1,884,501	47,731	8,000	1,924,232
Total capital assets being depreciated	<u>3,381,162</u>	<u>1,193,082</u>	<u>8,000</u>	<u>4,566,244</u>
Less accumulated depreciation for:				
Buildings	36,923	3,541	-	40,464
Land improvements	943,092	154,818	-	1,097,910
Equipment and vehicles	643,812	228,225	3,428	868,609
Total accumulated depreciation	<u>1,623,827</u>	<u>386,584</u>	<u>3,428</u>	<u>2,006,983</u>
Total capital assets being depreciated, net	<u>1,757,335</u>	<u>806,498</u>	<u>4,572</u>	<u>2,559,261</u>
Capital assets, net	<u>\$ 2,984,989</u>	<u>806,498</u>	<u>1,082,326</u>	<u>2,709,161</u>

### (6) Solid Waste Revenue Bonds

Annual debt service requirements to maturity for solid waste revenue bonds are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	6.30%	\$ 55,000	19,660	74,660
2012	6.40	55,000	16,195	71,195
2013	6.50	60,000	12,675	72,675
2014	6.50	65,000	8,775	73,775
2015	6.50	70,000	4,550	74,550
Total		<u>\$ 305,000</u>	<u>61,855</u>	<u>366,855</u>

The resolution providing for the issuance of the revenue bonds requires the Association to maintain a reserve account of \$76,000. The Association had \$92,729 invested in a savings account as of June 30, 2010, which is included in restricted net assets in the Statements of Net Assets.

During the year ended June 30, 2010, \$50,000 of principal and \$22,760 of interest was paid.

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Notes to Financial Statements (Continued)  
June 30, 2010 and 2009**

**(7) Note Payable**

During the year ended June 30, 2009, the Association financed the purchase of a compactor with a loan from a bank evidenced by a note. Annual payment requirements to maturity for the note are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.75%	\$ 82,834	10,243	93,077
2012	3.75	85,966	7,112	93,078
2013	3.75	89,254	3,824	93,078
2014	3.75	45,735	649	46,384
Total		\$ 303,789	21,828	325,617

During the year ended June 30, 2010, \$79,849 of principal and \$13,441 of interest was paid on this note.

**(8) Closure and Postclosure Care**

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost 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.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2010 and 2009

### (8) Closure and Postclosure Care (Continued)

These costs for the Association have been estimated at \$793,500 for closure and postclosure care for the vertical expansion area and \$2,388,600 for closure and postclosure care for the horizontal expansion area, for a total of \$3,182,100 as of June 30, 2010. The portion of the liability that has been recognized is \$1,900,904. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2010. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the site is approximately 33 years. The capacity used at June 30, 2010 is 31 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Association has begun accumulating resources to fund these costs and, at June 30, 2010, assets of \$1,203,528 are restricted for these purposes. They are reported as restricted cash and investments in the Statements of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Association is required to demonstrate financial assurance for the unfunded costs. The Association uses a combination of the local government financial test, the local government guarantee and the local government dedicated fund mechanisms.

### (9) Solid Waste Tonnage Fees Retained

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

As of June 30, 2010 and 2009, the unspent amounts retained by the Association and restricted for the required purposes totaled \$119,903 and \$58,446, respectively.

### (10) Risk Management

The Association is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 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.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2010 and 2009

### (10) Risk Management (Continued)

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 200 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 Association's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Association's contributions to the Pool for the years ended June 30, 2010 and 2009 were \$17,819 and \$15,247, respectively.

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 \$10,000,000 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 \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions.

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Notes to Financial Statements (Continued)  
June 30, 2010 and 2009**

**(10) Risk Management (Continued)**

However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**(11) Date of Management Evaluation**

Management has evaluated subsequent events through October 29, 2010, the date on which the financial statements were available to be issued.

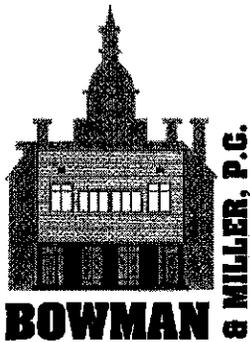
**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Schedule of Funding Progress for the  
Retiree Health Plan**

**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 28,489	\$ 28,489	0.00%	\$ 160,240	17.8%

See Note 4 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.



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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on Audits of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Members of the Rural Iowa Waste  
Management Association:

We have audited the accompanying financial statements of the Rural Iowa Waste Management Association as of and for the year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rural Iowa Waste Management Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Iowa Waste Management Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rural Iowa Waste Management Association'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Rural Iowa Waste Management Association's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Rural Iowa Waste Management Association's internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Rural Iowa Waste Management Association's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Association's responses, we did not audit the Rural Iowa Waste Management Association'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 Rural Iowa Waste Management Association and other parties to whom the Association may report and 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 Rural Iowa Waste Management Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

October 29, 2010

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Schedule of Findings  
Years ended June 30, 2010 and 2009**

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Financial Reporting – The following conditions were noted regarding the Association’s financial reporting policies:

- (1) The Association does not have an accounting policies and procedures manual.
- (2) The Association does not have a written disaster recovery plan.
- (3) The Association does not have a written capital asset policy, including capitalization thresholds and useful lives for classes of assets.

Recommendation – We recommend the following actions for the Association:

- (1) An accounting policies and procedures manual should be developed.
- (2) A written disaster recovery plan should be developed.
- (3) The Association should develop a written capital asset policy to identify capitalization thresholds and useful lives for classes of assets.

Response – We will consider the recommendations and will work with our accountants to implement them.

Conclusion – Response accepted.

(B) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. The payroll checks are processed and signed by the Association’s outside bookkeeping service.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Association should review its operating procedures and consider having the landfill manager sign all checks, including payroll checks, and have all checks flow through the Association’s bank account.

Response – Due to the limited number of office employees, segregation of duties is very difficult. We will consider signing all checks and having them flow through our bank account.

Conclusion – Response accepted.

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Schedule of Findings (Continued)  
Years ended June 30, 2010 and 2009**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Association officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.
- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (6) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Schedule of Findings (Continued)  
Years ended June 30, 2010 and 2009**

- (7) Financial Assurance – The Association has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 3,182,100
Less: Balance of funds held in the local dedicated fund at June 30, 2009	<u>(1,152,260)</u>
	2,029,840
Divided by the number of years remaining in the pay-in period	÷ <u>32.94</u>
Required payment into the local dedicated fund for the year ended June 30, 2010	\$ 61,622
Balance of funds held in the local dedicated fund at June 30, 2009	<u>1,152,260</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2010	\$ <u>1,213,882</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2010	\$ <u>1,287,250</u>

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Staff**

This audit was performed by:

BOWMAN & MILLER, P.C.  
Certified Public Accountants  
Marshalltown, Iowa

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