

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**

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

June 30, 2012 and 2011

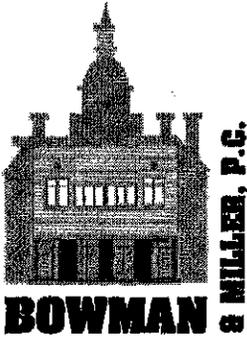
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RURAL IOWA WASTE MANAGEMENT ASSOCIATION

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Jody Anderson	Chairperson	Hardin County Sanitary Solid Waste Disposal Commission
Bob Greenlee	Vice Chairperson	Butler County Solid Waste Commission
Lance Grazow	Member	Hardin County Board of Supervisors
Mark Reiher	Member	Butler County Board of Supervisors
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 Rural Iowa Waste Management Association as of and for the years ended June 30, 2012 and 2011. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinions.

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, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2012 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 audits.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bowman & Miller, P.C.

September 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012 and 2011. 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 6.2%, or \$68,850, from fiscal year 2011 to fiscal year 2012.
- ◆ The Association's operating expenses were 2.9%, or \$25,314 more in fiscal year 2012 than in fiscal year 2011.
- ◆ The Association's net assets increased 5.6%, or \$158,197, from June 30, 2011 to June 30, 2012.

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 is 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.

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 2012 totaled approximately \$2,965,600. This compares to approximately \$2,807,400 at the end of fiscal year 2011. A summary of the Association's net assets is presented below.

	Net Assets	
	June 30,	
	2012	2011
Current assets	\$ 1,094,021	902,118
Restricted investments	1,398,475	1,315,894
Capital assets at cost, less accumulated depreciation	2,244,010	2,598,347
Total assets	<u>4,736,506</u>	<u>4,816,359</u>
Current liabilities	133,114	138,334
Noncurrent liabilities	1,637,758	1,870,588
Total liabilities	<u>1,770,872</u>	<u>2,008,922</u>
Net assets:		
Invested in capital assets, net of related debt	2,109,069	2,377,399
Restricted	1,533,416	1,401,860
Unrestricted	<u>(676,851)</u>	<u>(971,822)</u>
Total net assets	\$ <u>2,965,634</u>	<u>2,807,437</u>

The unrestricted portion of the Association's net assets may be used to meet the Association's obligations as they come due. Due to the fact that the Association must restrict the Local Government Dedicated Fund it currently places the unrestricted portion (22.8%) into a deficit balance. The invested in capital assets (e.g. land, land improvements, buildings and equipment), less the related debt portion of net assets (71.1%) are resources allocated to capital assets. The remaining net assets (51.7%) are restricted for closure and postclosure care, local government dedicated fund 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. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for interest income 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, 2012 and 2011 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2012	2011
Operating revenues:		
Gate fees	\$ 1,047,473	1,107,478
Other operating revenues	826	9,671
Total operating revenues	<u>1,048,299</u>	<u>1,117,149</u>
Operating expenses:		
Salaries and employee benefits	175,296	204,728
Travel, meetings and dues	2,704	4,297
Office expenses	3,026	3,265
Advertising and printing	1,728	1,092
Legal and accounting	20,936	23,204
Insurance	14,298	25,025
Site utilities	12,167	12,776
Tonnage fees	86,824	78,473
Site maintenance	177,321	156,873
Equipment repair and maintenance	39,792	19,827
Closure and postclosure care costs	(143,581)	(165,299)
Long range planning and engineering	25,625	36,552
Depreciation	472,815	452,309
Miscellaneous	7,488	18,003
Total operating expenses	<u>896,439</u>	<u>871,125</u>
Operating income	<u>151,860</u>	<u>246,024</u>
Non-operating revenues (expenses):		
Interest income	13,400	30,059
Interest expense	(7,063)	(17,746)
Net non-operating revenues	<u>6,337</u>	<u>12,313</u>
Change in net assets	158,197	258,337
Net assets beginning of year	<u>2,807,437</u>	<u>2,549,100</u>
Net assets end of year	<u>\$ 2,965,634</u>	<u>2,807,437</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 2012, operating revenues decreased \$68,850, or 6.2%, primarily a result of gate fees decreasing approximately \$60,000 due to a lower volume of collections in fiscal year 2012 as well as the overall state of the economy. Operating expenses increased \$25,314, or 2.9%. The increase was primarily a result of site maintenance and equipment repairs and maintenance increasing approximately \$61,000 and salaries and benefits decreasing approximately \$29,400.

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 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, 2012, the Association had approximately \$2.24 million invested in capital assets, net of accumulated depreciation of approximately \$2.9 million. Depreciation expense totaled \$472,815 and \$452,309 for fiscal years 2012 and 2011, respectively. More detailed information about the Association's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2012 and 2011, the Association had \$134,941 and \$220,948, respectively, in long-term debt outstanding, a decrease of \$86,007 for the year ended June 30, 2012. The table below summarizes outstanding the long-term debt by type.

		June 30,	
		2012	2011
Note payable	\$	<u>134,941</u>	<u>220,948</u>
Total	\$	<u>134,941</u>	<u>220,948</u>

Additional information about the Association's long-term liabilities is presented in Notes 5 and 6, 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.
- ◆ 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, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 984,411	778,846
Accounts receivable	100,943	115,503
Prepaid insurance	8,028	7,130
Deposits	639	639
Total current assets	1,094,021	902,118
Noncurrent assets:		
Restricted investments	1,398,475	1,315,894
Capital assets (net of accumulated depreciation)	2,244,010	2,598,347
Total noncurrent assets	3,642,485	3,914,241
Total assets	4,736,506	4,816,359
Liabilities		
Current liabilities:		
Accounts payable	43,906	52,368
Current portion of:		
Note payable	89,208	85,966
Total current liabilities	133,114	138,334
Noncurrent liabilities:		
Note payable	45,733	134,982
Landfill closure and postclosure care	1,592,025	1,735,606
Total noncurrent liabilities	1,637,758	1,870,588
Total liabilities	1,770,872	2,008,922
Net assets		
Invested in capital assets, net of related debt	2,109,069	2,377,399
Restricted for:		
Debt service	134,941	85,966
Tonnage fees retained	82,581	28,644
Closure and postclosure care	1,315,894	1,287,250
Unrestricted	(676,851)	(971,822)
Total net assets	\$ 2,965,634	2,807,437

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION
Statements of Revenues, Expenses and
Changes in Net Assets
Years ended June 30, 2012 and 2011**

Exhibit B

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Gate fees	\$ 1,047,473	1,107,478
Other operating revenues	826	9,671
Total operating revenues	<u>1,048,299</u>	<u>1,117,149</u>
Operating expenses:		
Salaries and employee benefits	175,296	204,728
Travel, meetings and dues	2,704	4,297
Office expenses	3,026	3,265
Advertising and printing	1,728	1,092
Legal and accounting	20,936	23,204
Insurance	14,298	25,025
Site utilities	12,167	12,776
Tonnage fees	86,824	78,473
Site maintenance	177,321	156,873
Equipment repair and maintenance	39,792	19,827
Closure and postclosure care	(143,581)	(165,299)
Long range planning and engineering	25,625	36,552
Depreciation	472,815	452,309
Miscellaneous	7,488	18,003
Total operating expenses	<u>896,439</u>	<u>871,125</u>
Operating income	<u>151,860</u>	<u>246,024</u>
Non-operating revenues (expenses):		
Interest income	13,400	30,059
Interest expense	(7,063)	(17,746)
Net non-operating revenues	<u>6,337</u>	<u>12,313</u>
Change in net assets	158,197	258,337
Net assets beginning of year	<u>2,807,437</u>	<u>2,549,100</u>
Net assets end of year	<u>\$ 2,965,634</u>	<u>2,807,437</u>

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**

Exhibit C

**Statements of Cash Flows
Years ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 1,062,033	1,110,144
Cash received from other operating receipts	826	9,671
Cash paid to suppliers for goods and services	(401,269)	(370,138)
Cash paid to employees for services	(175,296)	(204,728)
Net cash provided by operating activities	<u>486,294</u>	<u>544,949</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(118,478)	(341,495)
Principal paid on revenue bonds	-	(305,000)
Interest paid on revenue bonds	-	(9,175)
Principal paid on other debt	(86,007)	(82,841)
Interest paid on other debt	(7,063)	(8,571)
Net cash used by capital and related financing activities	<u>(211,548)</u>	<u>(747,082)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(73,574)	(19,637)
Interest received	13,400	30,059
Net cash provided (used) by investing activities	<u>(60,174)</u>	<u>10,422</u>
Net increase (decrease) in cash and cash equivalents	214,572	(191,711)
Cash and cash equivalents beginning of year	<u>778,846</u>	<u>970,557</u>
Cash and cash equivalents end of year	<u>\$ 993,418</u>	<u>778,846</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>151,860</u>	<u>246,024</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	472,815	452,309
Closure and postclosure care	(143,581)	(165,299)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	14,560	2,666
(Increase) decrease in prepaid items	(898)	7,118
(Increase) decrease in deposits	-	(187)
(Decrease) increase in accounts payable	(8,462)	2,318
Total adjustments	<u>334,434</u>	<u>298,925</u>
Net cash provided by operating activities	<u>\$ 486,294</u>	<u>544,949</u>

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements June 30, 2012 and 2011

(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 and one member each from the Hardin County Board of Supervisors and the Butler County Board of Supervisors. Each Commission and Board 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, 2012 and 2011

(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, 2012 and 2011 include certificates of deposit of \$1,398,475 and \$1,315,894, 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.

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.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Investments (Continued)

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, 2012 and 2011.

(2) Cash and Investments

The Association's deposits in banks at June 30, 2012 and 2011 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.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(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 5.38% of their annual covered salary and the Association is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$10,379, \$11,331 and \$11,985, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets at June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 149,900	-	-	149,900
	<u>149,900</u>	<u>-</u>	<u>-</u>	<u>149,900</u>
Capital assets being depreciated:				
Buildings	243,116	-	-	243,116
Land improvements	2,515,837	28,847	-	2,544,684
Equipment and vehicles	2,148,786	89,631	(9,082)	2,229,335
Total capital assets being depreciated	<u>4,907,739</u>	<u>118,478</u>	<u>(9,082)</u>	<u>5,017,135</u>
Less accumulated depreciation for:				
Buildings	45,873	7,247	-	53,120
Land improvements	1,290,361	193,006	-	1,483,367
Equipment and vehicles	1,123,058	272,562	(9,082)	1,386,538
Total accumulated depreciation	<u>2,459,292</u>	<u>472,815</u>	<u>(9,082)</u>	<u>2,923,025</u>
Total capital assets being depreciated, net	<u>2,448,447</u>	<u>(354,337)</u>	<u>-</u>	<u>2,094,110</u>
Capital assets, net	<u>\$ 2,598,347</u>	<u>(354,337)</u>	<u>-</u>	<u>2,244,010</u>

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(5) Solid Waste Revenue Bonds

During the year ended June 30, 2011, \$305,000 of principal and \$7,503 of interest was paid, representing the final payment for the revenue bonds.

(6) 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
2013	3.75%	\$ 89,208	3,824	93,032
2014	3.75%	45,733	635	46,368
Total		\$ 134,941	4,459	139,400

During the year ended June 30, 2012 and 2011, \$86,007 and \$82,834 of principal and \$7,063 and \$10,243 of interest was paid on this note, respectively.

(7) 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, 2012 and 2011

(7) Closure and Postclosure Care (Continued)

These costs at June 30, 2012 and 2011, for the Association have been estimated at \$680,000 and \$673,400, respectively. For closure and postclosure care for the vertical expansion area at June 30, 2012 and 2011, were \$2,310,500 and \$2,378,100, respectively, and for closure and postclosure care for the horizontal expansion area, for a total of \$2,990,500 and \$3,051,500, respectively, as of June 30, 2012 and 2011. The portion of the liability that has been recognized at June 30, 2012 and 2011 is \$1,592,025 and \$1,735,606, respectively. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2012 and 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated total remaining capacity is 1,404,771 tons at June 30, 2012 and 1,430,692 tons at June 30, 2011. There were 25,921 tons of waste disposed at the facility for the year ended June 30, 2012, and 38,538 tons at June 30, 2011.

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, 2012, assets of \$1,398,475 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. Under these mechanisms, the Association must certify the following to the Iowa Department of Natural Resources:

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

NP = nest payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(8) if the IAC allows the Commission to choose the dedicated fund mechanisms to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Association is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanisms. The amount of funds restricted for the years ended June 30, 2012 and 2011 was \$1,315,894 and \$1,287,250, respectively.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(8) 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, 2012 and 2011, the unspent amounts retained by the Association and restricted for the required purposes totaled \$82,581 and \$28,644, respectively.

(9) 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 official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 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, 2012 and 2011, were \$13,078 and \$15,396, 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.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements (Continued) June 30, 2012 and 2011

(9) Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event 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, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

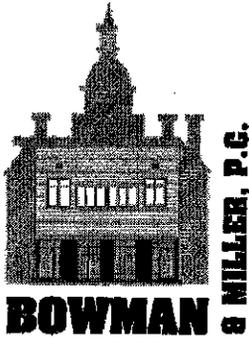
Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the 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.

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.

(10) Date of Management Evaluation

Management has evaluated subsequent events through September 10, 2012, the date on which the financial statements were available to be issued.



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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, 2012, and have issued our report thereon dated September 10, 2012. 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

The management of the Rural Iowa Waste Management Association is responsible for establishing and maintaining effective 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 a deficiency in internal control over financial reporting we consider to be a material weakness.

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 deficiency in the Rural Iowa Waste Management Association's internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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, 2012 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.

September 10, 2012

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**

**Schedule of Findings
Years ended June 30, 2012 and 2011**

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

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

- (1) 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) The Association should develop a written capital asset policy to identify capitalization thresholds and useful lives for classes of assets.

Response – The Association will work on a capital asset policy to determine capitalization thresholds and useful lives for assets.

Conclusion – Response accepted.

RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Schedule of Findings (Continued) Years ended June 30, 2012 and 2011

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.
- (7) Financial Condition – The Unrestricted Fund balance had a deficit balance of \$677,144 and \$971,822, at June 30, 2012 and 2011, respectively.

Recommendation – The Association should investigate alternatives to eliminate this deficit in order to return these funds to a sound financial condition.

Response – We will continue to work towards getting the Unrestricted Fund to a positive balance.

Conclusion – Response accepted.

**RURAL IOWA WASTE
MANAGEMENT ASSOCIATION**

**Schedule of Findings (Continued)
Years ended June 30, 2012 and 2011**

- (8) 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	\$ 2,990,500
Less: Balance of funds held in the local dedicated fund at June 30, 2011	<u>1,315,894</u>
	1,674,606
Divided by the number of years remaining in the pay-in period	33.64
Required payment into the local dedicated fund for the year ended June 30, 2012	49,779
Balance of funds held in the local dedicated fund at June 30, 2011	<u>1,315,894</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2012	<u>1,365,673</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2012	\$ <u>1,398,475</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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