FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

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FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS
June 30, 2005

Name	Title	Representing
Duane Brandt	Chairperson	City of Oelwein
Ben Hunsberger	Vice-Chairperson	Fayette County
Donald Handel	Member	City of Arlington
Ardith Barnes	Member	City of Clermont
Dale Hageman	Member	City of Elgin
George Capell	Member	City of Fayette
John Bunn	Member	Fayette County
Mike Kennedy	Member	Fayette County
Vicki Rowland	Member	Fayette County
Jack Frey	Member	Fayette County
Keith Kovarik	Member	City of Hawkeye
Bruce Suckow	Member	City of Maynard
Geraldine Winke	Member	City of Randalia
Clarence Schwamman	Member	City of St. Lucas
Edwin Gage	Member	City of Wadena
Dave Klimish	Member	City of Waucoma
Randy Moore	Member	City of Westgate
Robert Gage	Member	City of West Union

Supervisory Personnel

Name	Position
Joan Swenka	Executive Secretary
Cindy Wilkinson	Financial Director

Independent Auditors' Report

To the Members of the Fayette
County Solid Waste Management
Commission:

We have audited the accompanying basic financial statements of the Fayette County Solid Waste Management Commission as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that 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 Fayette County Solid Waste Management Commission at June 30, 2005, 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 August 24, 2005 on our consideration of the Fayette County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 - 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

August 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fayette County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with Fayette County Solid Waste Management Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

* The Commission's operating revenues increased 3%, or $40,220, from fiscal 2004 to 2005. County and City assessments remained the same while Gate fees and other revenues increased.

* The Commission's operating expenses were $548 less in fiscal 2005 than in fiscal 2004.

* The Commission's net assets increased 30%, or $367,482, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The Fayette County Solid Waste Management Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Commission'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 Commission's financial activities.

The Statement of Net Assets presents information on the Commission'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 Commission is improving or deteriorating.

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

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

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

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2005 totaled approximately $1,571,494. This compares to approximately $1,204,012 for fiscal 2004. A summary of the Commission's net assets is presented below.

Net Assets

	June 30, 2005	June 30, 2004
Current Assets	$751,858	$390,256
Unrestricted Investments	514,373	500,000
Restricted investments	1,862,063	1,813,837
Capital assets at cost, less accumulated depreciation	1,244,377	1,349,138
Total Assets	4,372,671	4,053,231
Current liabilities	152,838	119,953
Non-current liabilities	2,648,339	2,729,266
Total Liabilities	2,801,177	2,849,219
Net assets:		
Invested in capital assets, net of related debt	1,244,377	1,349,138
Restricted	1,862,063	1,813,837
Unrestricted	(1,534,946)	(1,958,963)
Total net assets	$1,571,494	$1,204,012

The largest portion of the Commission's net assets is restricted for closure and post closure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Commission 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. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net asset are resources allocated to capital assets. The remaining net assets are the unrestricted net assets which are presently a negative figure.

Statement 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 and expenses are for interest income and 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 year ended June 30, 2005 is presented below:

Changes in Net Assets

	Year Ended June 30, 2005	2004
Operating Revenue		
Gate fees	$286,385	$249,301
DNR fees	36,500	36,500
County and City Assessments	937,219	937,263
Other Operating Revenues	4,962	1,782
Total Operating Revenue	1,265,066	1,224,846
Operating Expenses		
Landfill Management	182,100	177,600
Wages and Benefits	205,150	227,228
Repairs and Maintenance	35,562	28,410
Trucking	88,684	90,296
Engineering Services	25,480	25,271
Education and Training	5,703	5,670
Legal and Accounting	12,122	16,235
Depreciation and Depletion	111,109	131,700
IA. Dept. of Natural Resources Tonnage fees	22,429	21,266
Landscaping	49,676	14,035
Appliance Recycling	11,045	13,782
Tire Recycling	4,477	1,994
Cardboard Expense	9,352	0
Leachate Operations	9,303	4,260
Well Maintenance and Monitoring	9,795	5,329
Special Waste Handling	108	0
Insurance	32,829	27,093
Supplies	11,692	17,553
Site Utilities	10,459	10,582
Office Expenses	12,975	25,377
Fuel	764	1,246
Closure and Postclosure Expense	60,566	67,001
Total Operating Expenses	911,380	911,928
Operating Income	353,686	312,918
Non-Operating Revenues (Expenses)		
Interest Expense	(51,376)	(55,167)
Rental Income	0	1,547
Interest Income	65,172	55,667
Net Non-Operating Revenue	13,796	2,047
Increase in Net Assets	367,482	314,965
Retained Earnings beginning of year	1,204,012	889,047
Retained Earnings end of year	$1,571,494	$1,204,012

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

In fiscal 2005, operating revenues increased by $40,220, or 3%, primarily a result of increased material sales of $37,084. Operating expenses decreased by $548.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees 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 purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At June 30, 2005, the Commission had approximately $2,358,962 invested in capital assets, net of accumulated depreciation of approximately $1,114,585. Depreciation charges totaled $111,109 for fiscal 2005. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2005, the Commission had $2,648,339 in debt outstanding, a decrease of $80,927 from 2004. The table below summarizes outstanding debt by type.

	June 30,	
	2005	2004
Revenue Note Payable (less current maturities)	$1,084,681	$1,226,174
Closure and postclosure care cost	1,563,658	1,503,092
Total	$2,648,339	$2,729,266

Additional information about the Commission's long term debt is presented in Notes 5 and 6 to the financial statements.

ECONOMIC FACTORS

The Fayette County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Commission to meet are:

* Facilities at the Commission require constant maintenance and upkeep.
* Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
* Annual deposits require to be made to the closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. A significant portion of a landfill cell will be closed during the coming fiscal year, which should allow for the lowering of the closure and postclosure costs.
* Recycling experienced a lowering of income due to extra expense of paying for cardboard received from one customer.

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fayette County Solid Waste Management Commission, P.O. Box 269, West Union, Iowa 52175.

BASIC FINANCIAL STATEMENTS

Exhibit A

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF NET ASSETS
June 30, 2005

Assets	
Current Assets	
Cash and Cash Equivalents	$716,456
Accounts Receivable	25,040
Prepaid Insurance	10,362
Total Current Assets	751,858
Non-Current Assets	
Unrestricted Investments	514,373
Restricted Investments	1,862,063
Capital Assets (Net of Accumulated Depreciation)	1,244,377
Total Non-Current Assets	3,620,813
Total Assets	$4,372,671
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	$30,826
Due to Other Governments	6,418
Current Maturities of Long-Term Debt	113,755
Accrued Interest	1,839
Total Current Liabilities	152,838
Non-Current Liabilities	
Revenue Note Payable, Less Current Maturities Above	1,084,681
Landfill Closure and Postclosure Care Costs	1,563,658
Total Non-Current Liabilities	2,648,339
Total Liabilities	2,801,177
Net Assets	
Investment in Capital Assets, Net of Related Debt	1,244,377
Restricted for Closure and Postclosure Care Costs	1,862,063
Unrestricted	(1,534,946)
Total Net Assets	$1,571,494

See notes to financial statements.

Exhibit B

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2005

OPERATING REVENUES	
County and City Assessments	$937,219
Material Sales and Fees	286,385
DNR Fees	36,500
Other Operating Revenues	4,962
Total Operating Revenues	1,265,066
OPERATING EXPENSES	
Landfill Management	182,100
Wages and Benefits	205,150
Repairs and Maintenance	35,562
Trucking	88,684
Engineering Services	25,480
Education and Training	5,703
Legal and Accounting	12,122
Depreciation and Depletion	111,109
Iowa Department of Natural Resources Tonnage Fees	22,429
Landscaping	49,676
Appliance Recycling	11,045
Tire Recycling	4,477
Cardboard Expense	9,352
Leachate Operations	9,303
Well Maintenance and Monitoring	9,795
Special Waste Handling	108
Insurance	32,829
Supplies	11,692
Site Utilities	10,459
Office Expenses	12,975
Fuel	764
Closure and Postclosure Expense	60,566
Total Operating Expenses	911,380
Operating Income	353,686
Non-Operating Revenues (Expenses)	
Interest Expense	(51,376)
Interest Income	65,172
Total Non-Operating Revenues	13,796
Change in Net Assets	367,482
Net Assets Beginning of Year	1,204,012
Net Assets End of Year	$1,571,494

See notes to financial statements.

Exhibit C

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Assessments	$937,219
Cash Received from Gate Fees	151,169
Cash Received from Other Operating Receipts	182,395
Cash Payments to Suppliers for Goods and Services	(533,309)
Cash Payments to Employees for Services	(191,205)
Net Cash Provided by Operating Activities	546,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments on Revenue Note	(109,316)
Interest Payments on Revenue Note	(51,376)
Purchase of Fixed Assets	(6,348)
Net Cash Used for Capital and Related Financing Activities	(167,040)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Certificate of Deposit	(33,505)
Interest Received	36,079
Net Cash Provided by Investing Activities	2,574
Net Increase in Cash and Cash Equivalents	381,803
Cash and Cash Equivalents – Beginning of Year	334,653
Cash and Cash Equivalents – End of Year	$716,456

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$353,686
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Depletion	111,109
Closure and Postclosure Care Costs	60,566
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	5,208
Decrease in Prepaid Items	14,993
Increase in Payables	707
Total Adjustments	192,583
Net Cash Provided by Operating Activities	$546,269

See notes to financial statements.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Fayette County Solid Waste Management Commission was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill and recycling center in Fayette County for use by all residents of the County.

The Commission is composed of one representative from each of the thirteen member cities and five representatives from Fayette County. The member cities are: Arlington, Clermont, Elgin, Fayette, Hawkeye, Maynard, Oelwein, Randalia, St. Lucas, Wadena, Waucoma, Westgate and West Union. Each member shall be entitled to one vote for each 1,000 people or fraction thereof as determined by the most recent General Federal Census.

The Commission'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 Fayette County Solid Waste Management Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial 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 Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. Fayette County Solid Waste Management Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Fayette County Solid Waste Management Commission 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 that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Note 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 Commission 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 Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures.

The Commission 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 Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET INVESTMENTS

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

Cash, Investments and Cash Equivalents - The Commission 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, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2005, include certificates of deposit of $2,376,436.

Accounts Receivable – The Commission considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Unrestricted Assets – Funds designated not restricted, by the Commission for future capital expenditures.

Restricted Investments – Funds set aside for 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.

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets (Continued) – Reportable capital assets are defined by the Commission 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 and Improvements	$25,000
Equipment and Vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Building Improvements	20-50
Equipment and Vehicles	2-20

The depletion rate is determined by the cell cost and its remaining capacity at year end. The rate per ton used June 30, 2005 and 2004 was determined to be $10.32.

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 year ended June 30, 2005.

Payroll and Related Costs – The Commission leases the services of employees from Fayette County for landfill administration and operations of the recycling center. The Commission reimburses the County for the direct labor costs and costs of benefits provided to these employees on the monthly basis.

Note 2: Cash and Investments

The Commission's deposits at June 30, 2005 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 Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statements Number 3.

Note 3: Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 are recorded on Fayette County's expenditures as the county pays the contribution and is reimbursed by the Commission.

Note 4: Capital Assets

A summary of property and equipment at June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated				
Land and Improvements	$939,126	$ 0	$ 0	$939,126
Capital assets being depreciated				
Buildings	375,096	0	0	375,096
Equipment and Vehicles	291,630	6,348	0	297,978
Cell Development	746,762	0	0	746,762
Total Capital assets being depreciated	1,413,488	6,348	0	1,419,836
Less accumulated depreciation for				
Buildings	101,634	18,755	0	120,389
Equipment and Vehicles	232,438	14,996	0	247,434
Cell Development	669,404	77,358	0	746,762
Total accumulated depreciation	1,003,476	111,109	0	1,114,585
Total Capital Assets being depreciated, Net	410,012	(104,761)	0	305,251
Total Capital assets, Net	$1,349,138	$(104,761)	$ 0	$1,244,377

Note 5: Revenue Note Payable

On December 9, 2002, the Commission issued a $1,500,000 Solid Waste Disposal Revenue Note. The purpose of the note was to provide funds to fund postclosure costs for the landfill and to refund outstanding Solid Waste Revenue Notes, Series 1996.

The note is not a general obligation of the Commission, and is payable solely and only from Net Revenue of the Commission and any monies lawfully available.

The Commission may prepay principal of the note in whole or in part at any time prior to maturity.

A summary of the revenue note payable as of June 30, 2005 is as follows:

	Total
First National Bank, Oelwein, Iowa 4.00% (variable) solid waste disposal revenue note payable, due $40,000 quarterly, including interest, through April 1, 2014, final payment due July 1, 2014	$1,198,436
Due within One Year	$113,755

Based upon the current rate of interest, a summary of principal and interest maturities is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	$113,755	$46,245	$160,000
2007	118,374	41,626	160,000
2008	123,180	36,820	160,000
2009	128,182	31,818	160,000
2010	133,386	26,614	160,000
2011	138,802	21,198	160,000
2012	144,438	15,562	160,000
2013	150,303	9,697	160,000
2014	148,016	3,594	151,610
	$1,198,436	$233,174	$1,431,610

Note 6: Closure and Postclosure Care Costs

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

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 consists 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.

These costs for Fayette County Solid Waste Management Commission have been estimated at $583,570 for closure and $1,133,649 for postclosure, for a total of $1,717,219 as of June 30, 2005, and the portion of the liability that has been recognized is $1,563,658. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2005. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 4 years and the capacity used at June 30, 2005 is approximately 91 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care accounts. The Commission has begun accumulating resources to fund these costs and, at June 30, 2005, assets of $1,862,063 are restricted for these purposes, of which $583,570 is for closure and $1,278,493 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Note 7: Solid Waste Tonnage Fees Retained

The Commission 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.

At June 30, 2005, there were no unspent amounts retained by the Commission and restricted for the required purposes.

Note 8: Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

Note 9: Joint Venture

The Commission has a 28E agreement with Fayette County whereby the Engineer Department's office manager performs the duties of finance director for the Commission.

SUPPLEMENTAL INFORMATION

Schedule 1

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF NET ASSETS
June 30, 2005

Assets	Landfill	Recycling	Total
Current Assets			
Cash and Cash Equivalents	$303,866	$412,590	$716,456
Accounts Receivable	10,277	14,763	25,040
Prepaid Insurance	9,342	1,020	10,362
Total Current Assets	323,485	428,373	751,858
Non-Current Assets			
Unrestricted Investments	514,373	0	514,373
Restricted Investments	1,862,063	0	1,862,063
Capital Assets (Net of Accumulated Depreciation)	1,122,275	122,102	1,244,377
Total Non-Current Assets	3,498,711	122,102	3,620,813
Total Assets	$3,822,196	$550,475	$4,372,671
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	$9,948	$20,878	$30,826
Due to Other Governments	6,418	0	6,418
Current Maturities of Long-Term Debt	113,755	0	113,755
Accrued Interest	1,839	0	1,839
Total Current Liabilities	131,960	20,878	152,838
Non-Current Liabilities			
Revenue Note Payable	1,084,681	0	1,084,681
Landfill Closure and Postclosure Care Costs	1,563,658	0	1,563,658
Total Non-Current Liabilities	2,648,339	0	2,648,339
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,122,275	122,102	1,244,377
Restricted For			
Closure and Postclosure Care Costs	1,862,063	0	1,862,063
Unrestricted	(1,942,441)	407,597	(1,534,946)
Total Net Assets	$1,041,897	$529,597	$1,571,494

See accompanying independent auditors' report.

Schedule 2

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2005

	Landfill	Recycling	Total
OPERATING REVENUES			
County and City Assessments	$675,271	$261,948	$937,219
Material Sales and Fees	114,669	171,716	286,385
DNR Fees	36,500	0	36,500
Other Operating Revenues	4,406	556	4,962
Total Operating Revenues	830,846	434,220	1,265,066
OPERATING EXPENSES			
Landfill Management	182,100	0	182,100
Wages and Benefits	60,873	144,277	205,150
Repairs and Maintenance	2	35,560	35,562
Trucking	0	88,684	88,684
Engineering Services	25,480	0	25,480
Education and Training	34	5,669	5,703
Legal and Accounting	5,646	6,476	12,122
Depreciation and Depletion	92,433	18,676	111,109
IA Dept of Natural Resources Tonnage Fees	22,429	0	22,429
Landscaping	49,676	0	49,676
Appliance Recycling	11,045	0	11,045
Tire Recycling	4,477	0	4,477
Cardboard Expense	0	9,352	9,352
Leachate Operations	9,303	0	9,303
Well Maintenance and Monitoring	9,795	0	9,795
Special Waste Handling	108	0	108
Insurance	18,891	13,938	32,829
Supplies	1,883	9,809	11,692
Site Utilities	1,009	9,450	10,459
Office Expenses	7,673	5,302	12,975
Fuel	0	764	764
Closure and Postclosure Expense	60,566	0	60,566
Total Operating Expenses	563,423	347,957	911,380
Operating Income	267,423	86,263	353,686
Non-Operating Revenues (Expenses)			
Interest Expense	(51,376)	0	(51,376)
Rental Income	0	0	0
Interest Income	63,756	1,416	65,172
Total Non-Operating Revenues (Expense)	12,380	1,416	13,796
Net Income	279,803	87,679	367,482
Retained Earnings – Beginning of Year	762,094	441,918	1,204,012
Retained Earnings – End of Year	$1,041,897	$529,597	$1,571,494

See accompanying independent auditors' report.

Schedule 3

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2005

	Landfill	Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Assessments	$675,271	$261,948	$937,219
Cash Received from Gate Fees	151,169	0	151,169
Cash Received from Other Operating Receipts	4,406	177,989	182,395
Cash Payments to Suppliers for Goods and Services	(340,958)	(192,351)	(533,309)
Cash Payments to Employees for Services	(57,068)	(134,137)	(191,205)
Net Cash Provided by Operating Activities	432,820	113,449	546,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payments on Revenue Note	(109,316)	0	(109,316)
Interest Payments on Revenue Note	(51,376)	0	(51,376)
Purchase of Fixed Assets	0	(6,348)	(6,348)
Net Cash Used for Capital and Related Financing Activities	(160,692)	(6,348)	(167,040)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Certificate of Deposit	(33,505)	0	(33,505)
Interest Received	34,663	1,416	36,079
Net Cash Provided by Investing Activities	1,158	1,416	2,574
Net Increase in Cash and Cash Equivalents	273,286	108,517	381,803
Cash and Cash Equivalents – Beginning of Year	30,580	304,073	334,653
Cash and Cash Equivalents – End of Year	$303,866	$412,590	$716,456
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	$267,423	$86,263	$353,686
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Depletion	92,433	18,676	111,109
Closure and Postclosure Care Costs	60,566	0	60,566
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(569)	5,777	5,208
Decrease in Prepaid Items	14,041	952	14,993
Increase (Decrease) in Payables	(1,074)	1,781	707
Total Adjustments	165,397	27,186	192,583
Net Cash Provided by Operating Activities	$432,820	$113,449	$546,269

See accompanying independent auditors' report.

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

To the Members of the Fayette County
Solid Waste Management Commission:

We have audited the financial statements of the Fayette County Solid Waste Management Commission, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. 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 Fayette County Solid Waste Management Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fayette County Solid Waste Management Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Solid Waste Management Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the members and customers of Fayette County Solid Waste Management Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Fayette County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

August 24, 2005

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

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

(1) Accounting System – record keeping for revenues and expenses, and related reporting.

(2) Bank Reconciliation – preparation and maintenance of accounting records.

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

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we have the executive secretary review receipts and expenditures on a weekly basis, bank reconciliations monthly, and a physical inspection of CD's is made monthly.

Conclusion – Response accepted.

Other Findings Related to Statutory Reporting:

(1) Official Depositories – A resolution naming official depositories has been adopted by the Commission. The maximum amounts stated in the resolution were not exceeded during the year ended June 30, 2005. However, it was noted that Farmers Savings Bank – West Union underwent a name change and the Commission did not adopt a new resolution reflecting the change.

Recommendation – When a depository undergoes a name change, a new depository resolution should be adopted by the Commission to reflect the change.

Response – We will amend the depository resolution to reflect the name change immediately.

Conclusion – Response accepted.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Other Findings Related to Statutory Reporting (Continued):

(2) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(3) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

(4) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the Commission went into closed session on June 21, 2005 without following proper procedures.

Recommendation – The Commission should ensure the provisions of Chapter 21.5 (2) are followed regarding closed sessions. An affirmative roll call vote should be documented.

Response – This recommendation will be followed for future closed sessions.

Conclusion – Response accepted.

(5) Deposits and Investments – The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

(6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2005, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

(7) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code.

News Release

Gardiner Thomsen. today released an audit report on Fayette County Solid Waste Management Commission.

The Commission had total revenues of $1,330,238 which included gate fees of $286,385 and County and City assessments of $937,219.

Expenses totaled $962,756 for the year ended June 30, 2005, which included $205,150 for wages and benefits, $182,100 for landfill management, and the recognition of $60,566 in closure and postclosure costs.

This report contains recommendations to the Commission. For example, segregation of duties should be implemented to prevent an individual employee from handling duties which are incompatible. The Commission responded that it would be difficult with a limited staff but it would review its operating procedures to obtain the maximum internal control possible under the circumstances.

A copy of the audit report is available for review in the office of the Auditor of State and the Fayette County Solid Waste Management Commission.

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