WINNESHIEK COUNTY
AREA SOLID WASTE AGENCY
DECORAH, IOWA

FINANCIAL REPORT

JUNE 30, 2006

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WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

Name	Title	Representing
Gordon Hunter	Chairperson	Winneshiek County
Dave Pahlas	Vice-Chairperson	City of Decorah
Les Askelson	Secretary	Winneshiek County
John Logsdon	Treasurer	Winneshiek County
Leon Kipp	Member	City of Fort Atkinson
Steve Bouska	Member	Winneshiek County
Ron Ludeking	Member	Winneshiek County
Don DiLaura	Member	City of Ossian
Dennis Wilkins	Member	City of Castalia
Dave Brenno	Member	City of Ridgeway
Mae Schmitt	Member	City of Jackson Junction
Arnie Meyer	Member	City of Spillville
George Willis	Member	City of Calmar
Dave Hageman	Director	

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board Members
Winneshiek County Area Solid Waste Agency
Decorah, Iowa

We have audited the accompanying financial statements of the business-type activities of Winneshiek County Area Solid Waste Agency as of and for the years ended June 30, 2006 and 2005, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winneshiek County Area Solid Waste Agency's management. Our responsibility is to express opinions 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Winneshiek County Area Solid Waste Agency, as of June 30, 2006 and 2005, and the respective changes in financial position, and cash flows thereof 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 December 4, 2006, on our consideration of the Winneshiek County Area Solid Waste Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on page 4 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements reflect liabilities for closure and postclosure care costs as estimated by the Agency. Actual closure and postclosure costs may be significantly higher depending upon the results of future events, as explained more fully in Note 6.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 4, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winneshiek County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased .4%, or $5,158, from fiscal 2005 to fiscal 2006.
- The Agency's operating expenses decreased 23%, or $237,294, from fiscal 2005 to fiscal 2006. This change was primarily a result of a change in the estimated closure and postclosure cost calculation.
- The Agency's net assets increased 57%, or $675,628, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The Winneshiek County Area Solid Waste Agency is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Winneshiek County Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

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

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

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

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

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

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal 2006 totaled approximately $1,869,000. This compares to approximately $1,193,000 for fiscal 2005. A summary of the Agency's net assets as of June 30, 2006 and 2005 is presented below.

NET ASSETS

	2006	2005
Current assets	$1,406,113	$ 865,699
Net property and equipment	1,991,220	2,237,230
Other assets	1,293,183	1,001,819
Total assets	$4,690,516	$4,104,748
Current liabilities	$ 96,538	$ 108,903
Noncurrent liabilities	2,724,951	2,802,446
Total liabilities	2,821,489	2,911,349
Net assets		
Invested in capital assets, net of related debt	1,863,728	2,073,280
Restricted	1,293,183	1,001,819
Unrestricted, deficit	(1,287,884)	(1,881,700)
Total net assets	1,869,027	1,193,399
Total liabilities and net assets	$4,690,516	$4,104,748

The largest portion of the Agency's net assets (69%) is restricted for closure and postclosure care. State and federal laws and regulations require the Agency 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 remaining net assets are invested in capital assets (31%, e.g., cells, buildings, and equipment).

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for fees from accepting solid waste, DNR fees, and miscellaneous other sources. Operating expenses are expenses paid to operate the landfill. Nonoperating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation and depletion, which allocates the cost of an asset over its expected useful life.

Statement of Revenues, Expenses and Changes in Net Assets (Continued)

A summary of revenues, expenses and changes in net assets for the years ended June 30, 2006 and 2005 is presented below:

	2006	2005
OPERATING REVENUES		
Services and fees	$1,364,714	$1,369,652
DNR fees	37,181	37,566
Miscellaneous income	795	630
Total operating revenues	1,402,690	1,407,848
OPERATING EXPENSES		
Office expense	12,369	12,068
Landfill operations	493,497	513,166
Wages and benefits	164,074	163,358
Recycling	68,000	68,000
Legal and accounting	25,623	40,257
Engineering fees	57,135	32,323
Grants	16,403	16,015
Closure and postclosure care	(39,536)	189,672
Total operating expenses	797,565	1,034,859
Operating income	605,125	372,989
NONOPERATING REVENUE (EXPENSE)		
Interest income	76,199	28,507
Interest expense	(5,696)	(5,391)
Net nonoperating revenue	70,503	23,116
CHANGE IN NET ASSETS	675,628	396,105
NET ASSETS, beginning of year	1,193,399	797,294
NET ASSETS, end of year	$1,869,027	$1,193,399

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 2006, operating revenues decreased by $5,158, or .4%. The decrease was primarily a result of a decrease in service and fees due to a decrease in the volume of collections. Operating expenses decreased by $237,294, or 23%. The decrease was primarily a result of a decrease of estimated closure and postclosure care costs by approximately $203,000.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes services and fees reduced by payments to employees and to suppliers. Cash used in 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, 2006, the Agency had approximately $3,993,000 invested in capital assets, net of accumulated depreciation/depletion of approximately $2,002,000. Depreciation/depletion charges totaled $262,305 for fiscal 2006. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2006, the Agency had $127,492 in debt outstanding, a decrease of $36,458 from 2005. Additional information about the Agency's long-term debt is presented in Note 5 to the financial statements.

At June 30, 2006, the Agency had $2,635,073 in accrued closure and postclosure care costs, a decrease of $39,536 from 2005. Additional information about the Agency's accrued closure and postclosure care costs is presented in Note 6 to the financial statements.

ECONOMIC FACTORS

Winneshiek County Area Solid Waste Agency continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on future cost estimates and the number of tons of solid waste received at the facility. The annual deposits are monitored by the Agency to ensure compliance with state laws and regulations.
- Changes in government regulations affecting closure and postclosure procedures and costs.

The Agency anticipates that fiscal year 2007 will be much like 2006. The Agency will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Winneshiek County Area Solid Waste Agency, 2000 140th Ave, Decorah, Iowa.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	$ 79,074	$ 173,699
Investments	1,233,262	625,000
Accounts receivable	81,606	62,877
Accrued interest	12,171	4,123
Total current assets	1,406,113	865,699
PROPERTY AND EQUIPMENT		
Buildings	83,777	83,777
Equipment	1,098,343	1,085,449
Cell development and land improvements	2,811,159	2,811,159
	3,993,279	3,980,385
Less accumulated depreciation and depletion	2,002,059	1,743,155
Net property and equipment	1,991,220	2,237,230
OTHER ASSETS		
Investments - closure and postclosure	1,288,053	998,763
Accrued interest	5,130	3,056
	1,293,183	1,001,819
Total assets	$ 4,690,516	$ 4,104,748
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 37,614	$ 36,114
Accounts payable	45,866	60,423
Due to County	13,058	12,366
Total current liabilities	96,538	108,903
NONCURRENT LIABILITIES		
Notes payable, less current maturities above	89,878	127,836
Accrued closure and postclosure care costs	2,635,073	2,674,610
Total noncurrent liabilities	2,724,951	2,802,446
Total liabilities	2,821,489	2,911,349
NET ASSETS		
Invested in capital assets, net of related debt	1,863,728	2,073,280
Restricted for		
Closure	623,649	501,868
Postclosure	669,534	499,951
Unrestricted, deficit	(1,287,884)	(1,881,700)
Total net assets	1,869,027	1,193,399
Total liabilities and net assets	$ 4,690,516	$ 4,104,748

See Notes to Financial Statements.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2006 and 2005

	2006	2005
OPERATING REVENUES		
Services and fees	$ 1,364,714	$ 1,369,652
DNR fees	37,181	37,566
Miscellaneous income	795	630
Total operating revenues	1,402,690	1,407,848
OPERATING EXPENSES		
Office expense	12,369	12,068
Landfill operations	493,497	513,166
Wages and benefits	164,074	163,358
Recycling	68,000	68,000
Legal and accounting	25,623	40,257
Engineering fees	57,135	32,323
Grants	16,403	16,015
Closure and postclosure care	(39,536)	189,672
Total operating expenses	797,565	1,034,859
Operating income	605,125	372,989
NONOPERATING REVENUE (EXPENSE)		
Interest income	76,199	28,507
Interest expense	(5,696)	(5,391)
Net nonoperating revenue	70,503	23,116
CHANGE IN NET ASSETS	675,628	396,105
NET ASSETS, beginning of year	1,193,399	797,294
NET ASSETS, end of year	$ 1,869,027	$ 1,193,399

See Notes to Financial Statements.

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	$ 1,383,961	$ 1,418,943
Cash payments to County for contract services	(163,382)	(162,933)
Cash payments to suppliers for services	(425,280)	(427,463)
Net cash provided by operating activities	795,299	828,547
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes payable	(36,458)	(26,225)
Interest paid on long-term borrowing	(5,696)	(5,391)
Purchase of fixed assets	(16,295)	(266,014)
Net cash used in capital and related financing activities	(58,449)	(297,630)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(2,407,675)	(2,094,572)
Proceeds from certificates of deposit	1,510,123	1,367,810
Interest received on investments	66,077	24,577
Net cash used in investing activities	(831,475)	(702,185)
Net decrease in cash	(94,625)	(171,268)
CASH, beginning of year	173,699	344,967
CASH, end of year	$ 79,074	$ 173,699
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 605,125	$ 372,989
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation, depletion and amortization	262,305	238,930
Changes in:		
Accounts receivable	(18,729)	11,095
Investment in insurance pool	-	-
Accounts payable	(14,557)	15,436
Due to County	692	425
Closure and postclosure accrual	(39,537)	189,672
Net cash provided by operating activities	$ 795,299	$ 828,547
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 5,696	$ 5,391
Equipment acquired through issuance of long-term debt		$ 190,175
Disposal of property and equipment		
Equipment traded		
Cost	$ 4,762	$ 72,500
Less accumulated depreciation	(3,401)	(72,500)
Book value	$ 1,361	$ None

See Notes to Financial Statements.

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Winneshiek County Area Solid Waste Agency was created by and for the residents of Winneshiek County pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency leases a landfill site from Winneshiek County and operates a landfill serving Winneshiek County and, through signed agreements, the counties of Howard, Clayton and Fillmore (Minnesota).

The Agency is composed of one representative from each of the eight incorporated areas and five representatives from the unincorporated portion of Winneshiek County. The member cities and towns are Decorah, Calmar, Ossian, Castalia, Fort Atkinson, Ridgeway, Jackson Junction and Spillville. Each member shall be entitled to one vote for each 1,000 people or fraction thereof residing in the area he or she represents as determined by the most recent general Federal Census.

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

b. Reporting Entity

A component unit is a legally separate entity, which satisfies one of the following criteria:

> Elected officials of the primary government are financially accountable for the entity;
>
> The nature and significance of the relationship between the entity and a primary government are such that to exclude the entity would render the primary government's financial statements misleading or incomplete.

Financial accountability exists if the primary government appoints a voting majority of the entity's governing body and if either the primary government can impose its will on the other entity or the potential exists for the other entity to provide specific financial benefits to or impose specific financial burdens on the primary government. Financial accountability may exist when another entity is fiscally dependent on the primary government even if the primary government does not appoint a voting majority of the entity's governing board. All government operations meeting these criteria are included in the primary government's financial statements.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Reporting Entity (Continued)

Winneshiek County, the primary government, does not appoint a voting majority of Winneshiek County Area Solid Waste Agency's board and the Agency is not fiscally dependent on Winneshiek County. The Agency and County have determined that exclusion of the Agency's financial data from the County's financial statements do not render them misleading or incomplete. Therefore, the Agency is not a component unit of Winneshiek County.

c. Basis of Presentation

The accounts of Winneshiek County Area Solid Waste Agency 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 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.

d. Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

Enterprise funds are accounted for on the economic resources measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statements of net assets. In reporting the financial activity on the Government-wide statements, the Agency applies all applicable GASB pronouncements. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Agency has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

e. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements are accounted for using 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 satisfied.

1. Nature of Operations and Significant Accounting Policies (Continued)

e. Basis of Accounting (Continued)

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. Operating revenue is recognized at the point when solid waste has been delivered and weighed by the Agency. Operating expenses for the Agency include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Agency has in place a rolling five-year renewable usage agreement with four surrounding counties and one municipal entity. These agreements committed each entity to delivering at least 50% of their base year weight to the landfill. If the necessary weight is not delivered by a given entity, that entity will be charged 30% of its base year weight multiplied by the landfill fee in effect for the year the entity failed to deliver 50% of its base year weight.

The Agency accounts for closure and postclosure care costs in accordance with Governmental Accounting Standards Board Statement 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs."

f. Assets, Liabilities and Net Investments

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

Cash, Investments and Cash Equivalents

Investments consist of non-negotiable certificates of deposit which are stated at cost. 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. There were no cash equivalents at June 30, 2006.

Restricted Investments

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

Accounts Receivable, Recognition of Bad Debts

The Agency 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.

Accounts are considered uncollectible based on how recently payments have been received, on individual credit evaluations, and on specific circumstances of the customer.

1. Nature of Operations and Significant Accounting Policies (Continued)

f. Assets, Liabilities and Net Investments (Continued)

Capital Assets

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

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of $2,500 and estimated useful lives in excess of two years. Management uses its discretion to capitalize capital assets with initial costs of less than $2,500.

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

Asset Class	Estimated Useful Lives (in Years)
Equipment	3-10 years
Landfill improvements	15 years
Buildings	10-20 years

The depletion rate is determined by the cell cost and its remaining capacity at year end. The rate per ton used for the years ended June 30, 2006 and 2005 was determined to be $6.04 and $6.04, respectively.

g. Payroll and Related Costs

The Agency leases the services of employees from Winneshiek County to operate the landfill. The Agency reimburses the County for the direct labor costs and costs of benefits provided to these employees on a monthly basis.

h. Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Income Taxes

In accordance with Internal Revenue Code Section 115, the Agency is exempt from federal income taxes therefore no provision for income taxes is reflected in the financial statements.

1. Nature of Operations and Significant Accounting Policies (Continued)

j. Concentrations of Credit Risk

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of accounts receivable. The Agency grants credit to governmental and private sector customers who pay fees on a weekly basis, substantially all of whom are located in Northeast Iowa and Southern Minnesota.

2. Cash and Investments

The Agency's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency's Board; 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 drainage districts.

The Agency's deposits, shown as cash and investments on the statement of net assets, are comprised of the following at June 30, 2006 and 2005:

Account	2006	2005
Cash on hand	$ 2,335	$ 828
Cash in bank	76,739	172,871
Certificates of deposit	2,521,315	1,623,763
	$2,600,389	$1,797,462

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

3. Property and Equipment

Major classifications of property and equipment as of June 30, 2006 and 2005 are summarized as follows:

	2006	2005
Capital assets being depreciated and depleted:		
Buildings and improvements	$ 83,777	$ 83,777
Equipment	1,098,343	1,085,449
Cell development	2,723,090	2,723,090
Land improvements	88,069	88,069
Total capital assets being depreciated and depleted	3,993,279	3,980,385
Less accumulated depreciation and depletion:		
Buildings and improvements	64,080	60,072
Equipment	650,647	546,451
Cell development	1,262,154	1,117,327
Land improvements	25,178	19,305
Total accumulated depreciation and depletion	2,002,059	1,743,155
Total capital assets, net	$1,991,220	$2,237,230

Depreciation expense charged to landfill operations totaled $117,478 and $92,259 for the years ended June 30, 2006 and 2005, respectively.

Depletion expense charged to landfill operations totaled $144,827 and $146,671 for the years ended June 30, 2006 and 2005, respectively.

4. Finance Agreements Payable and Landfill Leases

Winneshiek County acquired the landfill on April 1, 1992 by issuing general obligation bonds for the purchase price. The County subsequently leased the landfill to the Agency for the amount of the bond payments and a payment to the County's recycling operations. During the year ended June 30, 2004 the Agency made the final payments to Winneshiek County for the County's payment of the bonds. The payments to Winneshiek County's recycling operations totaled $68,000 and $68,000 for the years ended June 30, 2006 and 2005, respectively. The Agency anticipates continuing to make annual payments to Winneshiek County's recycling operations in the amount of $68,000.

The Agency has a ten year lease on the landfill property with Winneshiek County ending December 31, 2013. There are no lease payments due to the County. The Agency is responsible for all costs of improvements, repairs, maintenance, etc. associated with the property.

5. Long-term Debt

Details of long-term debt as of June 30, 2006 are as follows:

	Balance Due	
	Total	Current
Ziegler, Inc. 4.0% note payable, due $10,539 quarterly, including interest, through October 2009, collateralized by equipment with a depreciated cost of $149,423.	$ 127,492	$ 37,614

Aggregate maturities of long-term debt are as follows:

Year ended June 30,	
2007	$ 37,614
2008	39,142
2009	40,731
2010	10,005
	$ 127,492

No interest cost was capitalized for the years ended June 30, 2006 and 2005.

6. Accrued Closure and Postclosure Care Costs

The landfill site is currently regulated by the Iowa Department of Natural Resources (DNR).

To comply with federal and state regulations, the Agency 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.

6. Accrued Closure and Postclosure Care Costs (Continued)

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 current cost to purchase those services and equipment, and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The estimate of these costs for the Agency were revised as of March 6, 2006 and have been estimated at $2,620,448 for closure and $2,813,250 for postclosure, for a total of $5,433,698 as of June 30, 2006, and the portion of the liability that has been recognized is $2,635,073. The change in estimated closure and postclosure costs effective March 6, 2006 has resulted a decrease of costs accrued in prior years of approxiately $203,000, which has been reflected as a reduction in the current year closure and postclosure operating expenses. The amounts allocated are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2006. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 20 years and the capacity used at June 30, 2006 is approximately 48 percent.

The Agency is required by state laws and regulations to begin to accumulate funds to finance closure and postclosure care as provided for in Chapter 567-111.8(8) of the Iowa Administrative Code. At June 30, 2006, investments of $1,288,053 were held for this purpose. The investments are certificates of deposit. It is anticipated that future inflation costs will be financed in part from earnings on the investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional cost that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations) may need to be covered by charges to future landfill users.

The Agency has demonstrated financial assurance for closure and postclosure care costs by using the local government financial test as provided in Chapter 567-111.6(6) of the Iowa Administrative Code. Management believes that the Agency has materially complied with all state laws and regulations regarding closure and postclosure care financial assurance requirements.

7. Solid Waste Tonnage Fees Retained

Chapter 455B.310 of the Code of Iowa establishes a tonnage fee of four dollars and twenty-five cents per ton of solid waste. The Agency retains one dollar and fifty-five cents of the tonnage fee to be used as described in the following paragraph. The remainder of the tonnage fee is remitted to the Department of Natural Resources on a quarterly basis.

7. Solid Waste Tonnage Fees Retained (Continued)

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure care plan, (3) development of a plan for the control and treatment of leachate, which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. The balance of the retained fees are used for the purpose of implementation of waste volume reduction and recycling required by the Agency's approved comprehensive plan. The fees retained may also be used for other environmental protection and compliance activities.

As of June 30, 2006 and 2005 the Agency had no unspent amounts of the tonnage fees.

8. Contingencies

The Agency may be liable to comply with environmental clean up laws and regulations should any contamination occur. The Agency has no insurance coverage for such an event. The amount of any such liability is not susceptible to estimation until it has been determined that contamination has occurred and the extent of the contamination can be determined. Accordingly, a provision for this contingency is not included in the accompanying financial statements.

In addition, closure and postclosure care costs might be higher than presented in the accompanying financial statements. See Note 6 for a further explanation.

9. Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property and inland marine. 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 expenditures, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

9. Risk Management (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as expenses from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the years ended June 30, 2006 and 2005 were $21,193 and $15,570, 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 $250,000 per claim. Claims exceeding $250,000 are reinsured in an amount not to exceed $1,750,000 per claim and $5,000,000 in aggregate per year. For members requiring specific coverage from $2,000,000 to $15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the Agency's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal. As of June 30, 2006, the investment in the insurance pool was less than the annual operating contribution; therefore, no investment is reflected as a long-term asset on the Agency's statements of net assets.

9. Risk Management (Continued)

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

The Agency assumes responsibility for workers compensation claims in excess of $500,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board Members
Winneshiek County Area Solid Waste Agency
Decorah, Iowa

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County Area Solid Waste Agency's basic financial statements. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 4, 2006

WINNESHIEK COUNTY AREA SOLID WASTE AGENCY

STATEMENTS OF REVENUES AND EXPENSES INFORMATION
For the Years Ended June 30, 2006 and 2005

	2006	2005
LANDFILL OPERATIONS		
Appliance removal	$ 15,961	$ 14,193
Glass	5,879	5,872
Pumping charges	34,388	32,728
Fuel for equipment	37,658	30,448
Scale calibration	830	12,212
Rock	581	3,661
Miscellaneous	577	19,805
Repairs and maintenance	28,472	25,809
Shop supplies	4,808	3,292
Fences	-	10,202
Property taxes	174	176
Insurance	25,527	22,528
Tipping fees	71,950	88,574
Education and training	1,053	818
Depreciation and depletion	262,305	238,930
Well testing and drilling	2,137	3,655
Seeding	900	-
Dues and certificates	297	263
Total landfill operations	$ 493,497	$ 513,166

See Independent Auditor's Report on the Supplementary Information.

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

Board Members
Winneshiek County Area Solid Waste Agency
Decorah, Iowa

We have audited the accompanying financial statements of the business-type activities of Winneshiek County Area Solid Waste Agency as of and for the year ended June 30, 2006, which collectively comprise Winneshiek County Area Solid Waste Agency's basic financial statements and have issued our report thereon dated December 4, 2006. 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 Winneshiek County Area Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 Winneshiek County Area Solid Waste Agency's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below.

Overlapping Duties

The Agency's office is not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing financial information for ledger posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize the Agency is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Agency be aware this condition does exist.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

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 caused by error or fraud 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, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of Winneshiek County Area Solid Waste Agency in a separate letter dated December 4, 2006.

This report is intended solely for the information and use of the members and constituents of Winneshiek County Area Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 4, 2006

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MANAGEMENT LETTER

Board Members
Winneshiek County Area Solid Waste Agency
Decorah, Iowa

In planning and performing our audit of the financial statements of Winneshiek County Area Solid Waste Agency as of and for the year ended June 30, 2006, we considered the Agency's internal controls to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal controls.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the Agency's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1-6 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 4, 2006 contains our report on reportable conditions in the Agency's internal control. This letter does not affect our report dated December 4, 2006, on the financial statements of the Winneshiek County Area Solid Waste Agency. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions.

COMPLIANCE COMMENTS

1. Deposits and Investments

   No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

2. Questionable Expenditures

   We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. Travel Expense

   No expenditures of Agency money for travel expenses of spouses of Agency officials and/or employees were noted.

4. Board Minutes

   No transactions were found that we believe should have been approved in the Board Minutes but were not.

5. Solid Waste Fees Retainage

During the year ended June 30, 2006, it appears the Agency used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

6. Financial Assurance

The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a closure and postclosure account as provided in Chapter 567-111.6(6) of the Iowa Administrative Code. The yearly deposits are made as provided in Chapter 567-111.8(8) of the Iowa Administrative Code. The calculation is made as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	$ 2,620,448	$ 2,813,250
Less: balance of funds held in local dedicated fund at June 30, 2005	(501,868)	(499,951)
	2,118,580	2,313,299
Divided by the remaining permitted capacity, in tons	434,200	434,200
	4.88	5.33
Multiplied by tons of waste handled	24,700	24,700
Required payment into the closure or postclosure account for the year ended June 30, 2006	120,518	131,595
Balance of funds held in the closure or postclosure account at June 30, 2005	501,868	499,951
Required balance of funds to be held in the closure or postclosure account at June 30, 2006	$ 622,386	$ 631,546
Amount Agency has in closure and postclosure account at June 30, 2006	$ 623,649	$ 669,534

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Winneshiek County Area Solid Waste Agency during the course of our examination.

If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 4, 2006