

**FAYETTE COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

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

June 30, 2007

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

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FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS
June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Duane Brandt	Chairperson	City of Oelwein
Edwin Gage	Vice-Chairperson	City of Wadena
Donald Handel	Member	City of Arlington
Ardith Barnes	Member	City of Clermont
Dale Hageman	Member	City of Elgin
George Capell	Member	City of Fayette
Gayle Tellin	Member	Fayette County
Mike Kennedy	Member	Fayette County
Vicki Rowland	Member	Fayette County
Jack Frey	Member	Fayette County
Dan Pischke	Member	City of Hawkeye
Aaron Schlegel	Member	City of Maynard
Geraldine Winke	Member	City of Randalia
Clarence Schwamman	Member	City of St. Lucas
Ben Hunsberger	Member	Fayette County
Dave Klimish	Member	City of Waucoma
Randy Moore	Member	City of Westgate
Robert Gage	Member	City of West Union

Supervisory Personnel

<u>Name</u>	<u>Position</u>
Joan Swenka	Executive Secretary
Cindy Wilkinson	Financial Director

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Fayette County Solid Waste Management Commission as of and for the year ended June 30, 2007. 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 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 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, 2007, 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 September 17, 2007 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 considered in assessing 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 on it.

September 17, 2007

Gardiner Thomsen, P.C.

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, 2007. 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 1%, or \$22,894, from fiscal 2006 to 2007. County and City assessments and Gate fees and other revenues increased slightly.
- * The Commission's operating expenses increased 5% or \$40,745 from fiscal 2006 to fiscal 2007.
- * The Commission's net assets increased 24%, or \$517,713, from June 30, 2006 to June 30, 2007.

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 2007 totaled approximately \$2,592,203. This compares to approximately \$2,074,490 for fiscal 2006. A summary of the Commission's net assets is presented below.

Net Assets		
	2007	2006
Current Assets	\$946,205	\$993,490
Unrestricted Investments	151,060	107,207
Restricted Investments	1,913,947	1,888,589
Capital Assets at Cost, Less Accumulated Depreciation	1,213,578	1,247,018
Total Assets	<u>4,224,790</u>	<u>4,236,304</u>
Current Liabilities	17,270	421,393
Non-Current Liabilities	1,615,317	1,740,421
Total Liabilities	<u>1,632,587</u>	<u>2,161,814</u>
Net Assets:		
Invested in Capital Assets	1,213,578	1,247,018
Restricted	1,913,947	1,888,589
Unrestricted	(535,322)	(1,061,117)
Total Net Assets	<u>\$2,592,203</u>	<u>\$2,074,490</u>

The largest portion of the Commission's net assets is restricted for closure and post closure care. 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) 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 years ended June 30, 2007 and 2006 is presented below:

Changes in Net Assets

	Year Ended June 30,	
	2007	2006
Operating Revenue		
Gate fees	\$277,463	\$263,272
DNR fees	22,000	36,500
County and City Assessments	955,197	937,048
Other Operating Revenues	6,072	1,018
Total Operating Revenue	<u>1,260,732</u>	<u>1,237,838</u>
Operating Expenses		
Landfill Management	167,623	189,108
Wages and Benefits	208,064	203,815
Repairs and Maintenance	22,174	19,061
Trucking	106,818	104,345
Engineering Services	50,976	60,932
Education and Training	5,709	5,130
Legal and Accounting	12,070	16,490
Depreciation and Depletion	33,440	33,469
IA. Dept. of Natural Resources Tonnage fees	21,296	19,465
Landscaping	11,121	24,958
Appliance Recycling	12,147	9,595
Tire Recycling	3,425	4,329
Cardboard Expense	22,016	19,317
Leachate Operations	11,353	18,811
Well Maintenance and Monitoring	7,090	6,316
Special Waste Handling	8,782	338
Insurance	30,955	30,441
Supplies	10,491	6,722
Site Utilities	11,988	12,038
Office Expenses	20,652	12,250
Fuel	1,628	1,482
Closure and Postclosure Expense	55,499	(3,840)
Total Operating Expenses	<u>835,317</u>	<u>794,572</u>
Operating Income	<u>425,415</u>	<u>431,646</u>
Non-Operating Revenues (Expenses)		
Interest Expense	(10,318)	(36,414)
Rental Income	3,025	1,547
Interest Income	98,306	94,597
Gain on Sale of Capital Assets	1,285	0
Net Non-Operating Revenue	<u>92,298</u>	<u>59,730</u>
Increase in Net Assets	517,713	491,376
Net Assets beginning of year	2,074,490	1,571,494
Net Assets end of year	<u>\$2,592,203</u>	<u>\$2,074,490</u>

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 2007, operating revenues increased by \$22,894, or 1%, primarily a result of increased material sales of \$14,191. Operating expenses increased by \$40,745, primarily a result of closure and postclosure expenses.

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 debt 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, 2007, the Commission had approximately \$2,354,432 invested in capital assets, net of accumulated depreciation of approximately \$1,140,854. Depreciation charges totaled \$33,440 for fiscal 2007. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2007, the Commission had \$1,615,317 in debt outstanding, a decrease of \$125,104 from 2006. The table below summarizes outstanding debt by type.

	June 30,	
	2007	2006
Revenue Note Payable (less current maturities)	\$0	\$180,603
Closure and postclosure care cost	1,615,317	1,559,818
Total	\$1,615,317	\$1,740,421

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. The computers were updated at both the Landfill and the Recycling sites this year.

- * Annual deposits required to be made to the closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. There was an increase of approximately 9.4% in solid waste tonnage at the landfill this year. We feel this was largely due to the increase in construction and demolition materials.
- * The Commission was able to pay off the balance of the loan at First National Bank and currently has no outstanding debt.
- * The planning and possibly the start of work on the next cell of the landfill are expected during the 2008 fiscal year. The Commission 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

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF NET ASSETS

June 30, 2007

Assets

Current Assets:	
Cash	\$286,088
Accounts Receivable	36,517
Prepaid Insurance	19,452
Prepaid Closure	404,000
Prepaid Stockpile	200,148
Total Current Assets	946,205
Non-Current Assets:	
Unrestricted Investments	151,060
Restricted Investments	1,913,947
Capital Assets (Net of Accumulated Depreciation)	1,213,578
Total Non-Current Assets	3,278,585
Total Assets	\$4,224,790

Liabilities and Net Assets

Current Liabilities:	
Accounts Payable	\$11,168
Due to Other Governments	6,102
Total Current Liabilities	17,270
Non-Current Liabilities:	
Landfill Closure and Postclosure Care Costs	1,615,317
Total Non-Current Liabilities	1,615,317
Total Liabilities	1,632,587
Net Assets	
Investment in Capital Assets	1,213,578
Restricted for:	
Closure and Postclosure Care Costs	1,913,947
Unrestricted	(535,322)
Total Net Assets	\$2,592,203

See notes to financial statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Year Ended June 30, 2007

OPERATING REVENUES:	
County and City Assessments	\$955,197
Material Sales and Fees	277,463
DNR Fees	22,000
Other Operating Revenues	6,072
Total Operating Revenues	1,260,732
OPERATING EXPENSES:	
Landfill Management	167,623
Wages and Benefits	208,064
Repairs and Maintenance	22,174
Trucking	106,818
Engineering Services	50,976
Education and Training	5,709
Legal and Accounting	12,070
Depreciation and Depletion	33,440
Iowa Department of Natural Resources Tonnage Fees	21,296
Landscaping	11,121
Alliance Recycling	12,147
Tire Recycling	3,425
Cardboard Expense	22,016
Leachate Operations	11,353
Well Maintenance and Monitoring	7,090
Special Waste Handling	8,782
Insurance	30,955
Supplies	10,491
Site Utilities	11,988
Office Expenses	20,652
Fuel	1,628
Closure and Postclosure Expense	55,499
Total Operating Expenses	835,317
Operating Income	425,415
Non-Operating Revenues (Expenses):	
Interest Expense	(10,318)
Rental Income	3,025
Interest Income	98,306
Gain on Sale of Capital Assets	1,285
Net Non-Operating Revenues	92,298
Change in Net Assets	517,713
Net Assets Beginning of Year, As Restated (See Note 10)	2,074,490
Net Assets End of Year	\$2,592,203
See notes to financial statements.	

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION**STATEMENT OF CASH FLOWS**
Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Assessments	\$955,197
Cash Received from Gate Fees	153,905
Cash Received from Other Operating Receipts	138,558
Cash Paid to Suppliers for Goods and Services	(889,522)
Cash Paid to Employees for Services	(223,765)
Net Cash Provided by Operating Activities	134,373

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Payments on Revenue Note	(326,362)
Interest Payments on Revenue Note	(10,645)
Proceeds from Sale of Capital Assets	1,285
Rents Received	3,025
Net Cash Used for Capital and Related Financing Activities	(332,697)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Certificate of Deposit	(234,517)
Cash out of Certificate of Deposit	170,370
Interest Received	93,243
Net Cash Provided by Investing Activities	29,096

Net Decrease in Cash and Cash Equivalents	(169,228)
Cash and Cash Equivalents – Beginning of Year	455,316

Cash and Cash Equivalents – End of Year	\$286,088
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income	\$425,415
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Depletion	33,440
Closure and Postclosure Care Costs	55,499
Changes in Assets and Liabilities	
Increase in Accounts Receivable	(10,413)
Increase in Prepaid Items	(111,531)
Decrease in Payables	(258,037)
Total Adjustments	(291,042)
Net Cash Provided by Operating Activities	\$134,373

See notes to financial statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Notes to Financial Statements (Continued)

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 Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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, 2007, include certificates of deposit of \$2,065,007.

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 (Recycling).

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.

Notes to Financial Statements (Continued)

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.

<u>Asset Class</u>	<u>Amount</u>
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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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, 2007 and 2006 was determined to be \$0.00 and \$0.00. The depletion rate will be utilized in the future as additional cells are completed and placed into service.

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, 2007.

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, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The 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.

Notes to Financial Statements (Continued)

Note 2: Cash and Investments (Continued)

The Commission had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statements Number 3, as amended by Statement No. 40.

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 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 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, 2007 is as follows:

	Balance as Reported 6/30/2006	Adjustments	Beginning Balance as Restated	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:						
Land and Improvements	\$939,126	\$0	\$939,126	\$0	\$0	\$939,126
Capital assets being depreciated:						
Buildings	375,096	0	375,096	0	0	375,096
Equipment and Vehicles	309,318	(2,870)	306,448	0	13,000	293,448
Cell Development	746,762	0	746,762	0	0	746,762
Total Capital assets being depreciated	1,431,176	(2,870)	1,428,306	0	13,000	1,415,306
Less accumulated depreciation for:						
Buildings	139,144	0	139,144	6,040	0	145,184
Equipment and Vehicles	248,998	(14,490)	234,508	27,400	13,000	248,908
Cell Development	746,762	0	746,762	0	0	746,762
Total accumulated depreciation	1,134,904	(14,490)	1,120,414	33,440	13,000	1,140,854
Total Capital Assets being depreciated, Net	296,272	11,620	307,892	(33,440)	0	274,452
Total Capital assets, Net	\$1,235,398	\$11,620	\$1,247,018	\$(33,440)	\$0	\$1,213,578

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

During the fiscal year ended June 30, 2007, the Commission traded in an old skid loader and purchased a new skid loader. In July, 2006, the Commission paid \$11,620 towards the purchase. This \$11,620 was incorrectly coded to a repair expense account and included in the Recycle accounts payable at June 30, 2006. The beginning capital assets and beginning accumulated depreciation have been restated to reflect the correction.

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. During the year ended June 30, 2007, the Commission paid additional principal, paying the Revenue Notes in full.

The Commission was in compliance with the note resolution.

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.

Notes to Financial Statements (Continued)

Note 6: 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 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 \$562,180 for closure and \$1,206,975 for postclosure, for a total of \$1,769,155 as of June 30, 2007, and the portion of the liability that has been recognized is \$1,615,317. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 3 years and the capacity used at June 30, 2007 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 costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2007, assets of \$1,913,948 are restricted for these purposes, of which \$562,180 is for closure and \$1,351,768 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 Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2007, 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.

Notes to Financial Statements (Continued)

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.

Note 10: Restatement of Net Assets

During the fiscal year ended June 30, 2007, the Commission traded in an old skid loader and purchased a new skid loader. In July 2006, the Commission paid \$11,620 cash towards the purchase. This \$11,620 was incorrectly coded to a repair expense account and included in the recycle accounts payable at June 30, 2006. The Commission beginning capital assets, accumulated depreciation and beginning net assets have been restated as follows:

Capital Assets, June 30, 2006 as previously reported:	\$1,235,398
Equipment Adjustment	(2,870)
Equipment Accumulated Depreciation Adjustment	14,490
Capital Assets, July 1, 2006 as restated:	<u>\$1,247,018</u>
Net Assets, June 30, 2006 as previously reported:	\$2,062,870
Expense Adjustment	11,620
Net Assets, July 1, 2006 as restated:	<u>\$2,074,490</u>

SUPPLEMENTAL INFORMATION

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF NET ASSETS
June 30, 2007

Assets	Landfill	Recycling	Total
Current Assets:			
Cash	\$243,650	\$42,438	\$286,088
Accounts Receivable	18,003	18,514	36,517
Prepaid Insurance	12,968	6,484	19,452
Prepaid Closure	404,000	0	404,000
Prepaid Stockpile	200,148	0	200,148
Total Current Assets	878,769	67,436	946,205
Non-Current Assets:			
Unrestricted Investments	0	151,060	151,060
Restricted Investments	1,913,947	0	1,913,947
Capital Assets (Net of Accumulated Depreciation)	1,093,607	119,971	1,213,578
Total Non-Current Assets	3,007,554	271,031	3,278,585
Total Assets	\$3,886,323	\$338,467	\$4,224,790
Liabilities and Net Assets			
Current Liabilities:			
Accounts Payable	\$6,050	\$5,118	\$11,168
Due to Other Governments	6,102	0	6,102
Current Maturities of Long-Term Debt	0	0	0
Accrued Interest	0	0	0
Total Current Liabilities	12,152	5,118	17,270
Non-Current Liabilities:			
Revenue Note Payable	0	0	0
Landfill Closure and Postclosure Care Costs	1,615,317	0	1,615,317
Total Non-Current Liabilities	1,615,317	0	1,615,317
Total Liabilities	1,627,469	5,118	1,632,587
Net Assets			
Invested in Capital Assets	1,093,607	119,971	1,213,578
Restricted For:			
Closure and Postclosure Care Costs	1,913,947	0	1,913,947
Unrestricted	(748,700)	213,378	(535,322)
Total Net Assets	\$2,258,854	\$333,349	\$2,592,203

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, 2007

	Landfill	Recycling	Total
OPERATING REVENUES:			
County and City Assessments	\$689,600	\$265,597	\$955,197
Material Sales and Fees	137,039	140,424	277,463
DNR Fees	22,000	0	22,000
Other Operating Revenues	1,824	4,248	6,072
Total Operating Revenues	850,463	410,269	1,260,732
OPERATING EXPENSES:			
Landfill Management	167,623	0	167,623
Wages and Benefits	69,608	138,456	208,064
Repairs and Maintenance	275	21,899	22,174
Trucking	0	106,818	106,818
Engineering Services	50,976	0	50,976
Education and Training	482	5,227	5,709
Legal and Accounting	9,504	2,566	12,070
Depreciation and Depletion	13,921	19,519	33,440
IA Dept of Natural Resources Tonnage Fees	21,296	0	21,296
Landscaping	11,121	0	11,121
Appliance Recycling	12,147	0	12,147
Tire Recycling	3,425	0	3,425
Cardboard Expense	0	22,016	22,016
Leachate Operations	11,353	0	11,353
Well Maintenance and Monitoring	7,090	0	7,090
Special Waste Handling	8,782	0	8,782
Insurance	15,373	15,582	30,955
Supplies	0	10,491	10,491
Site Utilities	1,457	10,531	11,988
Office Expenses	9,280	11,372	20,652
Fuel	186	1,442	1,628
Closure and Postclosure Expense	55,499	0	55,499
Total Operating Expenses	469,398	365,919	835,317
Operating Income	381,065	44,350	425,415
Non-Operating Revenues (Expenses):			
Interest Expense	(10,318)	0	(10,318)
Rental Income	3,025	0	3,025
Interest Income	96,506	1,800	98,306
Gain on Sale of Capital Assets	0	1,285	1,285
Total Non-Operating Revenues	89,213	3,085	92,298
Net Income	470,278	47,435	517,713
Net Assets – Beginning of Year, As Restated (See Note 10)	1,788,576	285,914	2,074,490
Net Assets – End of Year	\$2,258,854	\$333,349	\$2,592,203

See accompanying Independent Auditors' Report.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

	Landfill	Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Assessments	\$689,600	\$265,597	\$955,197
Cash Received from Gate Fees	153,905	0	153,905
Cash Received from Other Operating Receipts	1,824	136,734	138,558
Cash Paid to Suppliers for Goods and Services	(678,145)	(211,377)	(889,522)
Cash Paid to Employees for Services	(74,676)	(149,089)	(223,765)
Net Cash Provided by Operating Activities	92,508	41,865	134,373
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer to (from Funds)	0	0	0
Principal Payments on Revenue Note	(326,362)	0	(326,362)
Interest Payments on Revenue Note	(10,645)	0	(10,645)
Proceeds from Sale of Capital Assets	0	1,285	1,285
Rents Received	3,025	0	3,025
Net Cash Provided by (Used for) Capital and Related Financing Activities	(333,982)	1,285	(332,697)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Certificate of Deposit	(84,517)	(150,000)	(234,517)
Cash out of Certificate of Deposit	170,370	0	170,370
Interest Received	92,503	740	93,243
Net Cash Provided by (Used in) Investing Activities	178,356	(149,260)	29,096
Net Decrease in Cash and Cash Equivalents	(63,118)	(106,110)	(169,228)
Cash and Cash Equivalents – Beginning of Year	306,768	148,548	455,316
Cash and Cash Equivalents – End of Year	\$243,650	\$42,438	\$286,088
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$381,065	\$44,350	\$425,415
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Depletion	13,921	19,519	33,440
Closure and Postclosure Care Costs	55,499	0	55,499
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(5,134)	(5,279)	(10,413)
Increase (Decrease) in Prepaid Items	(115,236)	3,705	(111,531)
Increase (Decrease) in Payables	(237,607)	(20,430)	(258,037)
Total Adjustments	(288,557)	(2,485)	(291,042)
Net Cash Provided by Operating Activities	\$92,508	\$41,865	\$134,373

See accompanying Independent Auditors' Report.

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

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION



Gardiner Thomsen
Certified Public Accountants

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 accompanying financial statements of the Fayette County Solid Waste Management Commission, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 17, 2007. 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 Fayette County Solid Waste Management Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fayette County Solid Waste Management Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fayette County Solid Waste Management Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fayette County Solid Waste Management Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fayette County Solid Waste Management Commission's financial statements that is more than inconsequential will not be prevented or detected by Fayette County Solid Waste Management Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fayette County Solid Waste Management Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item A is a material weaknesses.

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 or other matters 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 year ended June 30, 2007 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.

Fayette County Solid Waste Management Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Fayette County Solid Waste Management Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of 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.

September 17, 2007

Caroline Thomsen, P.C.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

(A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Other Findings Related to Statutory Reporting:

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2007

Other Findings Related to Statutory Reporting (Continued):

- (3) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the minutes were not always provided to the newspaper within seven days of the meeting.

Recommendation – Chapter 28E.6 requires the minutes of the Commission meetings to be provided to the newspaper within seven days of the meeting. The Commission should ensure this provision is followed.

Response – This recommendation will be followed for future minutes of Commission meetings.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

- (5) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2007, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

- (6) 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. The calculation is made as follows:

	Closure	Postclosure
Total Estimated Cost for Closure and Post Closure Care	\$562,180	\$1,206,975
Less: Balance of Funds Held in the Local Dedicated Fund at June 30, 2007	562,180	1,351,768
Overfunded Amount	\$0	\$144,793
Balance of Funds Held in the Local Dedicated Fund at June 30, 2007	\$562,180	\$1,351,768
Required Balance of Funds to be Held in the Local Dedicated fund at June 30, 2007	\$562,180	\$1,206,975
Amount Association has Restricted for Closure and Postclosure Care at June 30, 2007	\$562,180	\$1,351,768

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2007

Other Findings Related to Statutory Reporting (Continued):

- (7) Business Transactions – The following business transactions between the Commission and Commission officials, employees, or their immediate relatives were noted.

<u>Name and Title</u>	<u>Description</u>	<u>Amount</u>
Robert Gage – West Union Representative Owner of Gage & Gage Plumbing, Inc.	Repairs and Service on Heater	\$596

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Gage & Gage Plumbing, Inc. do not appear to represent a conflict of interest since the total transactions were not in excess of \$1,500 during the fiscal year.