FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

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

June 30, 2008

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

Table Of Contents

		Page
OFFICIALS		1
INDEPENDENT AUDITORS' REPORT		2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3-7
BASIC FINANCIAL STATEMENTS:	Exhibit	
Statement of Net Assets	A	8
Statement of Revenues, Expenses and Changes in Net Assets	B	9
Statement of Cash Flows	C	10
Notes to Financial Statements		11-16
SUPPLEMENTAL INFORMATION:	Schedule	
Combining Statement of Net Assets	1	17
Combining Statement of Revenues, Expenses and Changes in Net Assets	2	18
Combining Statement of Cash Flows	3	19
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*		20-21
SCHEDULE OF FINDINGS		22-25

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS
June 30, 2008

Name	Title	Representing
Duane Brandt	Chairperson	City of Oelwein
Jack Frey	Vice-Chairperson	Fayette County
Donald Handel	Member	City of Arlington
Ardith Barnes	Member	City of Clermont
Rod Marlatt	Member	City of Elgin
Katherine McCarville	Member	City of Fayette
Gayle Tellin	Member	Fayette County
Mike Kennedy	Member	Fayette County
Vicki Rowland	Member	Fayette County
Ben Hunsberger	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
Eric Boehm	Member	City of Wadena
Dave Klimish	Member	City of Waucoma
Randy Moore	Member	City of Westgate
Robert Gage	Member	City of West Union

Supervisory Personnel

Name	Position
Joan Swenka	Executive Secretary
Cindy Wilkinson	Financial Director

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, 2008. 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, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2008 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.

October 7, 2008

Gardiner Thomsen, P.C.

1209 South Main • P.O. Box 216 • Charles City, IA 50616-0216 • Phone: (641) 228-7096 • Fax: (641) 228-7103 • www.gardinercpa.com

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, 2008. 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 5%, or $65,579, from fiscal 2007 to 2008. Material sales and Gate fees increased slightly.

* The Commission's operating expenses increased 84% or $707,192 from fiscal 2007 to fiscal 2008. Closure and post closure expense increased from $55,499 to $709,642.

* The Commission's net assets decreased 3%, or $101,493, from June 30, 2007 to June 30, 2008.

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 2008 totaled approximately $2,490,710. This compares to approximately $2,592,203 for fiscal 2007. A summary of the Commission's net assets is presented below.

Net Assets

	2008	2007
Current Assets	$513,876	$946,205
Unrestricted Investments	613,046	151,060
Restricted Investments	2,109,379	1,913,947
Capital Assets at Cost, Less Accumulated Depreciation	1,199,111	1,213,578
Total Assets	4,435,412	4,224,790
Current Liabilities	23,743	17,270
Non-Current Liabilities	1,920,959	1,615,317
Total Liabilities	1,944,702	1,632,587
Net Assets:		
Invested in Capital Assets	1,199,111	1,213,578
Restricted	2,109,379	1,913,947
Unrestricted	(817,780)	(535,322)
Total Net Assets	$2,490,710	$2,592,203

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, 2008 and 2007 is presented below:

Changes in Net Assets

	Year Ended June 30, 2008	2007
Operating Revenue		
Gate fees	$349,925	$277,463
DNR fees	22,000	22,000
County and City Assessments	951,548	955,197
Other Operating Revenues	2,838	6,072
Total Operating Revenue	1,326,311	1,260,732
Operating Expenses		
Landfill Management	159,850	167,623
Wages and Benefits	219,656	208,064
Repairs and Maintenance	18,956	22,174
Trucking	126,115	106,818
Engineering Services	30,856	50,976
Education and Training	5,554	5,709
Legal and Accounting	16,684	12,070
Depreciation and Depletion	34,791	33,440
IA. Dept. of Natural Resources Tonnage fees	22,874	21,296
Landscaping	23,315	11,121
Appliance Recycling	6,443	12,147
Tire Recycling	4,169	3,425
Cardboard Expense	36,883	22,016
Leachate Operations	14,353	11,353
Well Maintenance and Monitoring	35,236	7,090
Special Waste Handling	6,202	8,782
Insurance	23,750	30,955
Supplies	8,140	10,491
Site Utilities	13,645	11,988
Office Expenses	16,450	20,652
Fuel	8,945	1,628
Closure and Postclosure Expense	709,642	55,499
Total Operating Expenses	1,542,509	835,317
Operating Income (Loss)	(216,198)	425,415
Non-Operating Revenues (Expenses)		
Interest Expense	0	(10,318)
Rental Income	3,025	3,025
Interest Income	111,680	98,306
Gain on Sale of Capital Assets	0	1,285
Net Non-Operating Revenue	114,705	92,298
Increase (Decrease) in Net Assets	(101,493)	517,713
Net Assets beginning of year	2,592,203	2,074,490
Net Assets end of year	$2,490,710	$2,592,203

The Statement of Revenues, Expenses and Changes in Net Assets reflects a negative year with a decrease in the net assets at the end of the fiscal year, due to the increase in closure and post closure expenses.

In fiscal 2008, operating revenues increased by $65,579, or 5%, primarily a result of increased material sales of $45,421. Operating expenses increased by $707,192, 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, 2008, the Commission had approximately $2,367,434 invested in capital assets, net of accumulated depreciation of approximately $1,168,323. Depreciation charges totaled $34,791 for fiscal 2008. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2008, the Commission had $1,920,959 in debt outstanding, an increase of $305,642 from 2007. The table below summarizes outstanding debt.

	June 30,	
	2008	2007
Closure and postclosure care cost	$1,920,959	$1,615,317

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

ECONOMIC FACTORS

As in the past, facilities at the Commission continue to require constant maintenance and upkeep along with the challenge of maintaining up to date technology at a reasonable cost. A new full-time employee was hired at Recycling who will also work part-time at the Landfill.

Annual deposits required to be made to the closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. Again this year, there was an increase of approximately 9.64% in solid waste tonnage at the landfill. Again, we feel this was largely due to the increase in construction and demolition materials.

Well monitoring costs rose significantly this year due to new regulations implemented by the IDNR. Funds are being set aside for this added expenditure.

Although plans and construction of a new cell did not happen in fiscal year 2008, it is likely to begin in fiscal year 2009. 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

Exhibit A

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF NET ASSETS
June 30, 2008

Assets

Current Assets:	
Cash	$293,216
Accounts Receivable	32,189
Prepaid Insurance	8,337
Prepaid Stockpile	180,134
Total Current Assets	513,876
Non-Current Assets:	
Unrestricted Investments	613,046
Restricted Investments	2,109,379
Capital Assets (Net of Accumulated Depreciation)	1,199,111
Total Non-Current Assets	3,921,536
Total Assets	$4,435,412

Liabilities and Net Assets

Current Liabilities:	
Accounts Payable	$17,749
Due to Other Governments	5,994
Total Current Liabilities	23,743
Non-Current Liabilities:	
Landfill Closure and Postclosure Care Costs	1,920,959
Total Non-Current Liabilities	1,920,959
Total Liabilities	1,944,702
Net Assets	
Investment in Capital Assets, Net of Related Debt	1,199,111
Restricted for:	
Closure and Postclosure Care Costs	2,109,379
Unrestricted	(817,780)
Total Net Assets	$2,490,710

See notes to financial statements.

Exhibit B

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2008

OPERATING REVENUES:	
County and City Assessments	$951,548
Material Sales and Fees	349,925
DNR Fees	22,000
Other Operating Revenues	2,838
Total Operating Revenues	1,326,311
OPERATING EXPENSES:	
Landfill Management	159,850
Wages and Benefits	219,656
Repairs and Maintenance	18,956
Trucking	126,115
Engineering Services	30,856
Education and Training	5,554
Legal and Accounting	16,684
Depreciation and Depletion	34,791
Iowa Department of Natural Resources Tonnage Fees	22,874
Landscaping	23,315
Alliance Recycling	6,443
Tire Recycling	4,169
Cardboard Expense	36,883
Leachate Operations	14,353
Well Maintenance and Monitoring	35,236
Special Waste Handling	6,202
Insurance	23,750
Supplies	8,140
Site Utilities	13,645
Office Expenses	16,450
Fuel	8,945
Closure and Postclosure Expense	709,642
Total Operating Expenses	1,542,509
Operating Loss	(216,198)
Non-Operating Revenues:	
Rental Income	3,025
Interest Income	111,680
Net Non-Operating Revenues	114,705
Change in Net Assets	(101,493)
Net Assets Beginning of Year	2,592,203
Net Assets End of Year	$2,490,710

See notes to financial statements.

Exhibit C

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Assessments	$951,548
Cash Received from Gate Fees	181,650
Cash Received from Other Operating Receipts	197,442
Cash Paid to Suppliers for Goods and Services	(543,149)
Cash Paid to Employees for Services	(217,326)
Net Cash Provided by Operating Activities	570,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	(20,324)
Rents Received	3,025
Net Cash Used for Capital and Related Financing Activities	(17,299)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Certificate of Deposit	(800,117)
Cash out of Certificate of Deposit	150,000
Interest Received	104,379
Net Cash Used In Investing Activities	(545,738)
Net Increase in Cash and Cash Equivalents	7,128
Cash and Cash Equivalents – Beginning of Year	286,088
Cash and Cash Equivalents – End of Year	$293,216

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	$(216,198)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and Depletion	34,791
Closure and Postclosure Care Costs	709,642
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	4,328
Decrease in Prepaid Items	31,129
Increase in Payables	6,473
Total Adjustments	786,363
Net Cash Provided by Operating Activities	$570,165

See notes to financial statements.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

B. Basis of Presentation

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board 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, 2008, include certificates of deposit of $2,722,425.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets (Continued) – Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and Improvements	$25,000
Equipment and Vehicles	5,000

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

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

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, 2008.

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 a monthly basis.

Note 2: Cash and Investments

The Commission's deposits at June 30, 2008 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.

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 3.9% of their annual salary and the Commission is required to contribute 6.05% 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, 2008, 2007 and 2006 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, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets Not Being Depreciated:				
Land and Improvements	$939,126	$0	$0	$939,126
Capital Assets Being Depreciated:				
Buildings	375,096	0	0	375,096
Equipment and Vehicles	293,448	28,533	15,531	306,450
Cell Development	746,762	0	0	746,762
Total Capital Assets Being Depreciated	1,415,306	28,533	15,531	1,428,308
Less Accumulated Depreciation For:				
Buildings	170,615	18,755	0	189,370
Equipment and Vehicles	223,477	16,036	7,322	232,191
Cell Development	746,762	0	0	746,762
Total Accumulated Depreciation	1,140,854	34,791	7,322	1,168,323
Total Capital Assets Being Depreciated, Net	274,452	(6,258)	8,209	259,985
Total Capital assets, Net	$1,213,578	$(6,258)	$8,209	$1,199,111

Note 5: Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
Landfill	Recycling	$151,652

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 6: Closure and Postclosure Care Costs

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for Fayette County Solid Waste Management Commission have been estimated at $348,650 for closure and $1,678,875 for postclosure, for a total of $2,027,525 as of June 30, 2008, and the portion of the liability that has been recognized is $1,920,959. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2008. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 1.5 years and the capacity used at June 30, 2008 is approximately 94 percent.

Note 6: Closure and Postclosure Care Costs (Continued)

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, 2008, assets of $2,109,379 are restricted for these purposes, of which $348,650 is for closure and $1,760,729 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, 2008, there were no unspent amounts retained by the Commission and restricted for the required purposes.

Note 8: Risk Management

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

Note 9: Joint Venture

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

SUPPLEMENTAL INFORMATION

Schedule 1

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF NET ASSETS
June 30, 2008

Assets	Landfill	Recycling	Total
Current Assets:			
Cash	$185,959	$107,257	$293,216
Accounts Receivable	22,434	9,755	32,189
Prepaid Insurance	5,558	2,779	8,337
Prepaid Stockpile	180,134	0	180,134
Total Current Assets	394,085	119,791	513,876
Non-Current Assets:			
Unrestricted Investments	613,046	0	613,046
Restricted Investments	2,109,379	0	2,109,379
Capital Assets (Net of Accumulated Depreciation)	1,079,851	119,260	1,199,111
Total Non-Current Assets	3,802,276	119,260	3,921,536
Total Assets	$4,196,361	$239,051	$4,435,412
Liabilities and Net Assets			
Current Liabilities:			
Accounts Payable	$5,363	$12,386	$17,749
Due to Other Governments	5,994	0	5,994
Total Current Liabilities	11,357	12,386	23,743
Non-Current Liabilities:			
Landfill Closure and Postclosure Care Costs	1,920,959	0	1,920,959
Total Non-Current Liabilities	1,920,959	0	1,920,959
Total Liabilities	1,932,316	12,386	1,944,702
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,079,851	119,260	1,199,111
Restricted For:			
Closure and Postclosure Care Costs	2,109,379	0	2,109,379
Unrestricted	(925,185)	107,405	(817,780)
Total Net Assets	$2,264,045	$226,665	$2,490,710

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, 2008

	Landfill	Recycling	Total
OPERATING REVENUES:			
County and City Assessments	$689,600	$261,948	$951,548
Material Sales and Fees	164,080	185,845	349,925
DNR Fees	22,000	0	22,000
Other Operating Revenues	2,838	0	2,838
Total Operating Revenues	878,518	447,793	1,326,311
OPERATING EXPENSES:			
Landfill Management	159,850	0	159,850
Wages and Benefits	75,333	144,323	219,656
Repairs and Maintenance	1,556	17,400	18,956
Trucking	0	126,115	126,115
Engineering Services	30,856	0	30,856
Education and Training	234	5,320	5,554
Legal and Accounting	11,738	4,946	16,684
Depreciation and Depletion	13,755	21,036	34,791
IA Dept of Natural Resources Tonnage Fees	22,874	0	22,874
Landscaping	23,315	0	23,315
Appliance Recycling	6,443	0	6,443
Tire Recycling	4,169	0	4,169
Electronic Recycling	0	0	0
Cardboard Expense	0	36,883	36,883
Leachate Operations	14,353	0	14,353
Well Maintenance and Monitoring	35,236	0	35,236
Special Waste Handling	293	5,909	6,202
Insurance	11,364	12,386	23,750
Supplies	87	8,053	8,140
Site Utilities	3,324	10,321	13,645
Office Expenses	8,017	8,433	16,450
Fuel	6,641	2,304	8,945
Closure and Postclosure Expense	709,642	0	709,642
Total Operating Expenses	1,139,080	403,429	1,542,509
Operating Income (Loss)	(260,562)	44,364	(216,198)
Non-Operating Revenues (Expenses):			
Rental Income	3,025	0	3,025
Interest Income	111,076	604	111,680
Transfer	151,652	(151,652)	0
Total Non-Operating Revenues (Expense)	265,753	(151,048)	114,705
Net Income (Loss)	5,191	(106,684)	(101,493)
Net Assets – Beginning of Year	2,258,854	333,349	2,592,203
Net Assets – End of Year	$2,264,045	$226,665	$2,490,710

See Accompanying Independent Auditors' Report.

Schedule 3

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

	Landfill	Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Assessments	$689,600	$261,948	$951,548
Cash Received from Gate Fees	181,650	0	181,650
Cash Received from Other Operating Receipts	2,838	194,604	197,442
Cash Paid to Suppliers for Goods and Services	(313,970)	(229,179)	(543,149)
Cash Paid to Employees for Services	(75,085)	(142,241)	(217,326)
Net Cash Provided by Operating Activities	485,033	85,132	570,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer to (from Funds)	151,652	(151,652)	0
Purchase of Capital Assets	0	(20,324)	(20,324)
Rents Received	3,025	0	3,025
Net Cash Provided by (Used for) Capital and Related Financing Activities	154,677	(171,976)	(17,299)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Certificate of Deposit	(800,117)	0	(800,117)
Cash out of Certificate of Deposit	0	150,000	150,000
Interest Received	102,716	1,663	104,379
Net Cash Provided by (Used By) Investing Activities	(697,401)	151,663	(545,738)
Net Increase (Decrease) in Cash and Cash Equivalents	(57,691)	64,819	7,128
Cash and Cash Equivalents – Beginning of Year	243,650	42,438	286,088
Cash and Cash Equivalents – End of Year	$185,959	$107,257	$293,216
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$(260,562)	$44,364	$(216,198)
Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by Operating Activities:			
Depreciation and Depletion	13,755	21,036	34,791
Closure and Postclosure Care Costs	709,642	0	709,642
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(4,431)	8,759	4,328
(Increase) Decrease in Prepaid Items	27,424	3,705	31,129
Increase (Decrease) in Payables	(795)	7,268	6,473
Total Adjustments	745,595	40,768	786,363
Net Cash Provided by Operating Activities	$485,033	$85,132	$570,165

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, 2008, and have issued our report thereon dated October 7, 2008. 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 weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Solid Waste Management Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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, 2008 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.

October 7, 2008

Gardiner Thomsen, P.C.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Findings Related to the Financial Statements:

Significant Deficiencies

(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.

(B) Financial Reporting – During our audit, we identified material amounts of receivables and payables not recorded in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

Recommendation – The Commission should implement procedures to ensure all receivables and payables are identified and included in the Commission's financial statements.

Response – We will establish procedures to ensure all amounts are included in the financial statements.

Conclusion – Response accepted.

Significant Deficiencies (Continued)

(C) Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Fayette County Solid Waste Management Commission does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that Commission officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response acknowledged.

Instances of Non-Compliance:

No matters were reported.

Other Findings Related to Statutory Reporting:

(1) Questionable Expenses – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 15, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Payee	Description	Amount
Trophies Galore and More	Appreciation for Service Plaques	$48

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Other Findings Related to Statutory Reporting (Continued):

Recommendation – The Commission should determine and document the public purpose served by these expenditures before authorizing any further payments. If this is continued, the Commission should establish written policies and procedures, including requirements for proper documentation.

Response – The public purpose of the expenditure was discussed but was not formally recorded. We will attempt to record similar actions in the future.

Conclusion – Response accepted.

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

(3) Board Minutes – A transfer of $151,652 from the Recycling Fund to the Landfill Fund was found that we believe should have been approved in the Commission minutes but was not. Also, not all minutes were properly signed.

Recommendation – Transfers between the Recycling Fund and the Landfill Fund should be properly approved and documented in the Commission minutes. Minutes of the Commission meetings should be signed for the permanent record.

Response – The transfer was discussed at the Commission meeting and was approved, however, this was not documented in the minutes. The executive secretary was not aware the minutes required a signature. These recommendations 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. However, 1st National Bank of Oelwein underwent a name change during the fiscal year ended June 30, 2008 and the depository resolution was not updated to reflect the change.

Recommendation – The depository resolution should be changed to reflect the change in the bank name and should be approved by the Commission.

Response – A new depository resolution will be approved by the Commission as soon as possible.

Conclusion – Response accepted.

Other Findings Related to Statutory Reporting (Continued):

(5) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2008, 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 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure	Postclosure
Total Estimated Cost for Closure and Post Closure Care	$348,650	$1,678,875
Less: Balance of Funds Held in the Local Dedicated Fund at June 30, 2007	(562,180)	(1,351,768)
Over Funded Amount/Required Payment into the Local Dedicated Fund for the Year Ended June 30, 2008	$(213,530)	$327,107
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 Balance Fund at June 30, 2008	$348,650	$1,678,875
Amount Commission has Restricted for Closure and Postclosure Care at June 30, 2008	$348,650	$1,760,729

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

Name and Title	Description	Amount
Robert Gage – West Union Representative Owner of Gage & Gage Plumbing, Inc.	Repairs and Services	$519

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.

News Release

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

The Commission had total revenues of $1,441,016 which included material sales and gate fees of $349,925 and County and City assessments of $951,548.

Expenses totaled $1,542,509 for the year ended June 30, 2008, which included $219,656 for wages and benefits, $159,850 for landfill management, $126,115 in trucking costs, and $709,642 in closure/postclosure costs.

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

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

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