FLOYD – MITCHELL – CHICKASAW
SOLID WASTE MANAGEMENT AGENCY

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

SEPTEMBER 30, 2007

Table of Contents

	Exhibit	Page
Officials		1
Independent Auditors' Report		2-3
Management's Discussion and Analysis		4-6
Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes In Cash Basis Net Assets	A	7
Notes to Financial Statement		8-12
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		13-14
Schedule of Findings		15-16

Floyd – Mitchell – Chickasaw Solid Waste Management Agency

Floyd – Mitchell – Chickasaw Solid Waste Management Agency
Officials

Name	Title	Representing
Joel Voaklander	Chairperson	Mitchell County
Arlin Enabnit	Vice-Chairperson	Floyd County
John Huegel	Executive Board Member	Chickasaw County
J.R. Ackley	Executive Board Member	City of Marble Rock
Robert Clites	Executive Board Member	City of New Hampton
Jerry Dunlay	Executive Board Member	City of Osage
Dennis Johnson	Executive Board Member	City of Carpenter
David Swenumson	Executive Board Member	City of Ionia
Arvin Tibbitts	Executive Board Member	City of Charles City
Ken Heimendinger	Director	

Floyd – Mitchell – Chickasaw Solid Waste Management Agency

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Certified Public Accountants
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Independent Auditors' Report

To the Members of Floyd – Mitchell – Chickasaw
Solid Waste Management Agency:

We have audited the accompanying financial statement of Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2007. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement 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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements. This is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2007 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2007 on our consideration of Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statement, 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.

Lines Murphy & Company P.L.C.

Lines Murphy & Company, P. L. C.
Certified Public Accountants
Osage, Iowa
October 26, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Floyd – Mitchell – Chickasaw Solid Waste Management Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency is for the fiscal year ended September 30, 2007. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2007 FINANCIAL HIGHLIGHTS

- The Agency's operating receipts decreased 1.5%, or approximately $15,500, from fiscal 2006 to fiscal 2007.
- The Agency's operating disbursements decreased approximately $21,100, or 3.6%, from fiscal 2006 to fiscal 2007.
- The Agency's net assets decreased 23.4%, or approximately $1,199,900, from September 30, 2006 to September 30, 2007.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Agency's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues, liabilities and expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year-end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended September 30, 2007 and September 30, 2006 are presented below:

Changes in Cash Basis Net Assets		
	Year ended September 30,	
	2007	2006
Operating receipts:		
Tipping fees and gate charges	$ 977,795	$ 1,002,090
Miscellaneous	9,060	275
Total operating receipts	$ 986,855	$ 1,002,365
Operating disbursements:		
Salaries and contract labor	$ 279,159	$ 209,610
Engineering, leachate, and inspection	98,619	223,349
Other	191,997	157,947
Total operating disbursements	$ 569,775	$ 590,906
Excess of operating receipts over operating disbursements	$ 417,080	$ 411,459
Non-operating receipts (disbursements)		
Interest on investments	$ 197,307	$ 191,747
Farmland rental	27,150	27,847
Gain/(Loss) on sale of investments	(73,632)	1,260
Gain on sale of equipment	101,000	-
Capital Grants	111,360	-
Capital improvements	(1,980,172)	(11,712)
Net non-operating receipts	$ (1,616,987)	$ 209,142
Net change in cash basis net assets	$ (1,199,907)	$ 620,601
Cash basis net assets beginning of year	5,134,152	4,513,551
Cash basis net assets end of year	$ 3,934,245	$ 5,134,152

In fiscal 2007, operating receipts decreased by $15,510 or 1.5%, from fiscal 2006. In fiscal 2007, operating disbursements decreased by $21,131 or 3.6%, from fiscal 2006.

A portion of the Agency's net assets, $1,807,838 (46.0%), is restricted for closure and postclosure care. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets, $2,126,407 (54.0%), are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets are fully funded and require no transfers at this time. Unrestricted net assets decreased $1,130,239 or 34.7%, during the year due to an increase in capital improvements and new construction of the RCC building.

LONG-TERM DEBT

At September 30, 2007, the Agency had no long term debt outstanding.

ECONOMIC FACTORS

Floyd – Mitchell – Chickasaw Solid Waste Management Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

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

CONTACTING THE AGENCY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ken Heimendinger, Director, Floyd – Mitchell – Chickasaw Solid Waste Management Agency, 3354 330th Street, City of Elma, Iowa.

Basic Financial Statement

Exhibit A

Floyd – Mitchell – Chickasaw Solid Waste Management Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

Year ended September 30, 2007

Operating receipts:	
Tipping fees and gate charges	$ 977,795
Miscellaneous	9,060
Total operating receipts	$ 986,855
Operating disbursements:	
Salaries and benefits	$ 243,267
Iowa Department of Natural Resources tonnage fee	42,457
Engineering services/leachate	47,186
Recycling	7,892
Monitoring and inspection fees	8,976
Gravel	13,045
Professional fees	5,849
Office supplies	2,911
Utilities	10,633
Insurance	22,156
Miscellaneous	70,833
Contract labor	35,892
Postage and telephone	3,115
Fuel	28,548
Official publications and notice	4,289
Scales/supplies	2,414
Equipment repairs	20,312
Total operating disbursements	$ 569,775
Excess of operating receipts over operating disbursements	$ 417,080
Non-operating receipts (disbursements)	
Interest on investments	$ 197,307
Farmland rental	27,150
Loss on sale of investments	(73,632)
Gain on sale of equipment	101,000
Capital Grants	111,360
Capital improvements	(1,980,172)
Net non-operating receipts	$ (1,616,987)
Change in cash basis net assets	$ (1,199,907)
Cash basis net assets beginning of year	5,134,152
Cash basis net assets end of year	$ 3,934,245
Cash Basis Net Assets	
Restricted for:	
Closure	$ 759,292
Postclosure care	1,048,546
Total restricted net assets	$ 1,807,838
Unrestricted	2,126,407
Total cash basis net assets	$ 3,934,245

See notes to financial statements.

Floyd – Mitchell – Chickasaw Solid Waste Management Agency

Floyd – Mitchell – Chickasaw Solid Waste Management Agency

Notes to Financial Statement

September 30, 2007

(1) Summary of Significant Accounting Policies

Floyd – Mitchell – Chickasaw Solid Waste Management Agency was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities in Floyd, Mitchell and Chickasaw Counties on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one elected representative from each city or county member. The member cities and counties are: Charles City, Rockford, Colwell, Marble Rock, Rudd, Floyd, and the County of Floyd; Osage, Carpenter, Mitchell, Orchard, Stacyville, St. Ansgar, McIntire, Riceville, and the County of Mitchell; Bassett, New Hampton, Ionia, Fredericksburg, Nashua, North Washington, Alta Vista, Lawler, and the County of Chickasaw; and Elma and Chester. The members of each city or county are to be elected representatives of the city or county. Each member of the Board has one vote for each 1,000 in population or fraction thereof, as determined by the most recent federal census or special federal census. Where the representative is a county, or portion thereof, such population shall be that of the unincorporated portion of the county or that part of the unincorporated portion of the county which is a member of the Agency.

A. Reporting Entity

For financial reporting purposes, Floyd – Mitchell – Chickasaw Solid Waste Management Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency's financial statement 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 Agency 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 Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements

not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

Floyd – Mitchell – Chickasaw Solid Waste Management Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Assets and Net Assets

The following accounting policy is followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Restricted Cash Basis Net Assets – Funds set aside for payment of closure and postclosure care are classified as restricted.

(2) Cash and Pooled Investments

The Agency's deposits in banks within the state of Iowa at September 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 the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At September 30, 2007 the Agency had the following investments:

Type	Fair Value	Maturity
Federal National Mortgage Association (FNMA)	$ 212,428	October 2019
Federal Home Loan Mortgage Company (FHLMC)	86,634	July 2018
	$ 299,062	

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating

funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Credit risk - The Agency's Federal National Mortgage Association and Federal Home Loan Mortgage Company investments at September 30, 2007 are rated AAA by Moody's Investors service.

Concentration of credit risk - The Agency places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Agency's investments are in the Federal National Mortgage Association. The Agency's investment in the FNMA is 5.8 percent of the Agency's total investments.

(3) Pension and Retirement Benefits

The Agency 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 Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended September 30, 2007, 2006 and 2005 were $10,615, $8,594 and $7,475, respectively, equal to the required contributions for each year.

(4) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan 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 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 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 due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency were estimated to be $738,718 for closure and $1,019,500 for postclosure, for a total of $1,758,218 as of September 30, 2007 for the closure and postclosure of the old cell. Usage of the old cell ceased in September of 2007 and usage of the new cell began immediately thereafter. Cost estimates for the closure and postclosure of the current cell in use have not yet been completed as of the date of this report. Cost estimates are completed annually in March. The estimated remaining life of the current cell in use within the landfill is 5 years, with less than 5 percent of the current cell's capacity used at September 30, 2007.

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 Agency has begun to accumulate resources to fund these costs and, at September 30, 2007, assets of $1,807,838 are restricted for these purposes, of which $759,292 is for closure and $1,048,546 is for postclosure care. They are reported as restricted cash basis net assets on the Statement of Receipts, Disbursements and Changes in Cash Basis Net Assets.

(5) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At September 30, 2007, the Agency had no unspent tonnage fees.

(6) Risk Management

The Agency is a participant in the Heartland Insurance Risk Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk sharing pool whose 10 members and other participants include various governmental entities throughout the State of Iowa. The Pool was formed in July 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers compensation, automobile liability, automobile physical damage and crime lines of business on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

Each member/participant's annual casualty contributions to the Pool, fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

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

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended September 30, 2007 were $22,156.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of $400,000 up to $1,000,000 per claim. The pool retains workers compensation risks in excess of $750,000 to statutory limits. All property, inland marine, boiler, public officials errors and omissions, business income and expense and law enforcement liability risks are also reinsured on an individual member/participant basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at September 30, 2007, no liability has been recorded in the Agency's financial statements. As of September 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

(7) Landfill Operator Contract

The Agency does not contract for operation of the landfill. The Agency employs a director who is responsible for the operation and management of the landfill.

(8) Compensated Absences

Agency full-time employees are entitled to paid time off (PTO), to be used for vacation, personal days, illness, funeral or other reasons. PTO shall lapse at year-end of employee's anniversary hire date if not used, or if an employee leaves the Agency.
Unused PTO days at the anniversary date may be bought back by the employer at the rate of the employee's current hourly rate, or the employee may bank or carry over up to a maximum of 40 hours. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned PTO payments at September 30, 2007 was $7,433. This liability has been computed based on rates of pay in effect at September 30, 2007.

(9) Employee Health Insurance Plan

Employees are provided single health insurance coverage by the Agency. The Agency has an agreement with Floyd County whereas coverage amounts are remitted to Floyd County and then are deposited along with amounts for Floyd County employees in an insurance account through the Floyd County treasurer's Office. An outside administrator pays claims and in turn, bills the county for reimbursement of those claims and for administrative fees. For purposes of the outside administrator, employees of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency are considered employees of Floyd County. The agency expended $37,623 on health insurance coverage in the year ended September 30, 2007.

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

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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 Floyd – Mitchell – Chickasaw
Solid Waste Management Agency:

We have audited the accompanying financial statement of Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2007, and have issued our report thereon dated October 26, 2007. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. 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 Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Floyd – Mitchell – Chickasaw Solid Waste Management Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying Schedule of Findings.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Floyd – Mitchell – Chickasaw Solid Waste Management Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Floyd – Mitchell – Chickasaw Solid Waste Management Agency 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.

Lines Murphy & Company P. L. C.

Lines Murphy & Company, P. L. C.
Certified Public Accountants
Osage, Iowa
October 26, 2007

Floyd – Mitchell – Chickasaw Solid Waste Management Agency

Schedule of Findings

September 30, 2007

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records and reconciling payments to receivable records.

Recommendation – The Agency should designate a member of the Board to provide additional control through review of financial transactions to help ensure accounts receivable charges and payments on account are properly recorded and deposited intact.

Response – We will consider this.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Other Findings Related to the Statutory Reporting:

1) Questionable Disbursements – No disbursements that 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 disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

3) Business Transactions – Business transactions between the landfill and landfill officials or employees are detailed as follows:

Joel Voaklander, Chairman of the Board, poured cement for $2,895. The original contract was bid and awarded to a separate contractor. They were unable to perform and Voaklander completed the work for the bid price.

The transaction does not appear to be a conflict of interest since the contract was originally bid and awarded to a separate contractor.

4) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.

5) 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 and the Commission's investment policy were noted.

6) Solid Waste Tonnage Fees Retained – During the year ended September 30, 2007, the Agency used or retained the solid waste fees in accordance with chapters 455B.310(2) of the Code of Iowa.

7) Financial Assurance – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a dedicated fund as required by Chapter 567-111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	$ 738,718	$ 1,019,500
Less: Balance of funds held in the local dedicated fund at September 30, 2006.	784,362	1,093,144
	$ (45,644)	$ (73,644)
Divided by the number of years remaining in the pay-in period.	÷ 1	÷ 1
	$ (45,644)	$ (73,644)
Required payment into the local dedicated fund for the year ended September 30, 2007.	0	0
Balance of funds held in the local dedicated fund at September 30, 2006.	$ 784,362	$ 1,093,144
Required balance of funds to be held in the local dedicated fund at September 30, 2007.	$ 738,718	$ 1,019,500
Amount Agency has restricted for closure and postclosure care at September 30, 2007	$ 759,292	$ 1,048,546

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The Agency is fully funded at this time and no deposit is required. However, the Agency began operation of a new cell in September of 2007. The fund calculations above are only based off of the estimates for the closure and postclosure of the old cell which was closed in September of 2007. As of the date of this report, no cost estimate for closure and postclosure of the new cell has been completed.

Recommendation – The Agency should demonstrate financial assurance by getting estimates and designating amounts sufficient for the closure and postclosure of the old cell, of which all costs have not been realized, and of the new cell in operation.

Response – We will do so.

Conclusion – Response accepted.