

**FAYETTE COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

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

June 30, 2009

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

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FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS
June 30, 2009

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|----------------------------|------------------------|---------------------|
| Duane Brandt | Chairperson | City of Oelwein |
| Dave Klimesh | Vice-Chairperson | City of Waucoma |
| 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 |
| Jack Frey | Member | Fayette County |
| Dan Pischke | Member | City of Hawkeye |
| Dan Howard | Member | City of Maynard |
| Geraldine Winke | Member | City of Randalia |
| Clarence Schwamman | Member | City of St. Lucas |
| Eric Boehm | Member | City of Wadena |
| Randy Moore | Member | City of Westgate |
| Marc Rue | 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, 2009. 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, 2009, 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 8, 2009 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 8, 2009

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, 2009. 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 decreased 2%, or \$18,238, from fiscal 2008 to 2009. Material sales and Gate fees decreased slightly.
- * The Commission's operating expenses decreased 30% or \$448,609 from fiscal 2008 to fiscal 2009. Closure and post closure expense decreased from \$709,642 to \$177,965.
- * The Commission's net assets increased 13%, or \$329,672, from June 30, 2008 to June 30, 2009.

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 2009 totaled approximately \$2,820,382. This compares to approximately \$2,490,710 for fiscal 2008. A summary of the Commission's net assets is presented below.

| Net Assets | | |
|---|--------------------|--------------------|
| | 2009 | 2008 |
| Current Assets | \$400,741 | \$513,876 |
| Unrestricted Investments | 1,166,445 | 613,046 |
| Restricted Investments | 2,202,626 | 2,109,379 |
| Capital Assets at Cost, Less Accumulated Depreciation | 1,165,472 | 1,199,111 |
| Total Assets | <u>4,935,284</u> | <u>4,435,412</u> |
| Current Liabilities | 15,979 | 23,743 |
| Non-Current Liabilities | 2,098,923 | 1,920,959 |
| Total Liabilities | <u>2,114,902</u> | <u>1,944,702</u> |
| Net Assets: | | |
| Invested in Capital Assets | 1,165,472 | 1,199,111 |
| Restricted | 2,202,626 | 2,109,379 |
| Unrestricted | (547,716) | (817,780) |
| Total Net Assets | <u>\$2,820,382</u> | <u>\$2,490,710</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 investment 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, 2009 and 2008 is presented below:

Changes in Net Assets

| | Year Ended June 30, | |
|---|---------------------|--------------------|
| | 2009 | 2008 |
| Operating Revenue | | |
| Gate fees | \$327,493 | \$349,925 |
| DNR fees | 22,000 | 22,000 |
| County and City Assessments | 951,788 | 951,548 |
| Other Operating Revenues | 6,792 | 2,838 |
| Total Operating Revenue | <u>1,308,073</u> | <u>1,326,311</u> |
| Operating Expenses | | |
| Landfill Management | 159,850 | 159,850 |
| Wages and Benefits | 229,483 | 219,656 |
| Repairs and Maintenance | 39,172 | 18,956 |
| Trucking | 119,385 | 126,115 |
| Engineering Services | 75,893 | 30,856 |
| Education and Training | 5,200 | 5,554 |
| Legal and Accounting | 18,684 | 16,684 |
| Depreciation and Depletion | 33,640 | 34,791 |
| IA. Dept. of Natural Resources Tonnage fees | 22,085 | 22,874 |
| Landscaping | 47,481 | 23,315 |
| Appliance Recycling | 3,599 | 6,443 |
| Tire Recycling | 3,122 | 4,169 |
| Electronic Recycling | 7,036 | 0 |
| Cardboard Expense | 6,725 | 36,883 |
| Leachate Operations | 4,422 | 14,353 |
| Well Maintenance and Monitoring | 14,590 | 35,236 |
| Special Waste Handling | 1,597 | 6,202 |
| Insurance | 27,417 | 23,750 |
| Supplies | 14,540 | 8,140 |
| Site Utilities | 11,377 | 13,645 |
| Office Expenses | 16,058 | 16,450 |
| Fuel | 6,127 | 8,945 |
| Transfer Station | 48,452 | 0 |
| Closure and Post-closure Expense | 177,965 | 709,642 |
| Total Operating Expenses | <u>1,093,900</u> | <u>1,542,509</u> |
| Operating Income (Loss) | <u>214,173</u> | <u>(216,198)</u> |
| Non-Operating Revenues (Expenses) | | |
| Rental Income | 0 | 3,025 |
| Interest Income | 115,499 | 111,680 |
| Net Non-Operating Revenue | <u>115,499</u> | <u>114,705</u> |
| Increase (Decrease) in Net Assets | 329,672 | (101,493) |
| Net Assets beginning of year | 2,490,710 | 2,592,203 |
| Net Assets end of year | <u>\$2,820,382</u> | <u>\$2,490,710</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, due to the decrease in closure and post closure expenses.

In fiscal 2009, operating revenues decreased by \$18,238, or 2%, primarily a result of decreased material sales of \$22,432. Operating expenses decreased by \$448,609, primarily a result of decreased closure and post-closure 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, 2009, the Commission had approximately \$2,367,434 invested in capital assets, net of accumulated depreciation of approximately \$1,201,962. Depreciation charges totaled \$33,639 for fiscal 2009. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2009, the Commission had \$2,098,924 in debt outstanding, an increase of \$177,965 from 2008. The table below summarizes outstanding debt.

| | June 30, | |
|------------------------------------|-------------|-------------|
| | 2009 | 2008 |
| Closure and post-closure care cost | \$2,098,924 | \$1,920,959 |

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

ECONOMIC FACTORS

Earlier this year saw a significant reduction in revenue from the sale of recycling products. However, prices rebounded and recycling came in close to budget.

Although overall solid waste tonnage at the Landfill was down just under 1% from last year, the construction and demolition tonnage increased from 27% in fiscal year 2008 to 32% in fiscal year 2009. This in turn increased revenue to the Landfill. A deposit of \$6,000 was required (with \$10,000 being made) to the closure and post closure accounts based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission made the decision to build a transfer station versus developing a new cell at the Landfill. This will create a change in revenue and expenses, especially if the decision is made to change the billing structure of solid waste received at this facility when it is completed.

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, 2009

Assets

| | |
|--|-------------|
| Current Assets: | |
| Cash | \$187,584 |
| Accounts Receivable | 22,575 |
| Prepaid Insurance | 30,461 |
| Prepaid Stockpile | 160,121 |
| Total Current Assets | 400,741 |
| Non-Current Assets: | |
| Unrestricted Investments | 1,166,445 |
| Restricted Investments | 2,202,626 |
| Capital Assets (Net of Accumulated Depreciation) | 1,165,472 |
| Total Non-Current Assets | 4,534,543 |
| Total Assets | \$4,935,284 |

Liabilities and Net Assets

| | |
|---|-------------|
| Current Liabilities: | |
| Accounts Payable | \$10,201 |
| Due to Other Governments | 5,778 |
| Total Current Liabilities | 15,979 |
| Non-Current Liabilities: | |
| Landfill Closure and Post-closure Care Costs | 2,098,923 |
| Total Liabilities | 2,114,902 |
| Net Assets | |
| Investment in Capital Assets, Net of Related Debt | 1,165,472 |
| Restricted for: | |
| Closure & Post-closure Care Costs | 2,202,626 |
| Unrestricted | (547,716) |
| Total Net Assets | \$2,820,382 |

See notes to financial statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Year Ended June 30, 2009

| | |
|--|--------------------|
| OPERATING REVENUES: | |
| County and City Assessments | \$951,788 |
| Material Sales and Fees | 327,493 |
| DNR Fees | 22,000 |
| Other Operating Revenues | 6,792 |
| Total Operating Revenues | 1,308,073 |
| OPERATING EXPENSES: | |
| Landfill Management | 159,850 |
| Wages and Benefits | 229,483 |
| Repairs and Maintenance | 39,172 |
| Trucking | 119,385 |
| Engineering Services | 75,893 |
| Education and Training | 5,200 |
| Legal and Accounting | 18,684 |
| Depreciation and Depletion | 33,640 |
| Iowa Department of Natural Resources Tonnage Fees | 22,085 |
| Landscaping | 47,481 |
| Alliance Recycling | 3,599 |
| Tire Recycling | 3,122 |
| Electronic Recycling | 7,036 |
| Cardboard Expense | 6,725 |
| Leachate Operations | 4,422 |
| Well Maintenance and Monitoring | 14,590 |
| Special Waste Handling | 1,597 |
| Insurance | 27,417 |
| Supplies | 14,540 |
| Site Utilities | 11,377 |
| Office Expenses | 16,058 |
| Fuel | 6,127 |
| Transfer Station | 48,452 |
| Closure and Post-closure Expense | 177,965 |
| Total Operating Expenses | 1,093,900 |
| Operating Income | 214,173 |
| Non-Operating Revenues: | |
| Interest Income | 115,499 |
| Change in Net Assets | 329,672 |
| Net Assets Beginning of Year | 2,490,710 |
| Net Assets End of Year | \$2,820,382 |

See notes to financial statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

| | |
|---|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash Received from Assessments | \$951,788 |
| Cash Received from Gate Fees | 249,827 |
| Cash Received from Other Operating Receipts | 116,071 |
| Cash Paid to Suppliers for Goods and Services | (661,921) |
| Cash Paid to Employees for Services | (230,250) |
| Net Cash Provided by Operating Activities | 425,515 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of Certificate of Deposit | (670,102) |
| Interest Received | 138,955 |
| Net Cash Used In Investing Activities | (531,147) |
| Net Decrease in Cash and Cash Equivalents | (105,632) |
| Cash and Cash Equivalents – Beginning of Year | 293,216 |
| Cash and Cash Equivalents – End of Year | \$187,584 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating Income | \$214,173 |
| Adjustments to Reconcile Operating Income to Net Cash | |
| Provided by Operating Activities: | |
| Depreciation and Depletion | 33,640 |
| Closure and Post-closure Care Costs | 177,965 |
| Changes in Assets and Liabilities | |
| Decrease in Accounts Receivable | 9,614 |
| Increase in Prepaid Items | (2,111) |
| Decrease in Payables | (7,766) |
| Total Adjustments | 211,342 |
| Net Cash Provided by Operating Activities | \$425,515 |

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, 2009, include certificates of deposit of \$3,369,071.

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 post-closure 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 |

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, 2009.

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, 2009 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 4.10% of their annual covered salary and the Commission is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 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, 2009 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 | 306,450 | 0 | 0 | 306,450 |
| Cell Development | 746,762 | 0 | 0 | 746,762 |
| Total Capital Assets Being Depreciated | 1,428,308 | 0 | 0 | 1,428,308 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 189,370 | 18,755 | 0 | 208,125 |
| Equipment and Vehicles | 232,191 | 14,884 | 0 | 247,075 |
| Cell Development | 746,762 | 0 | 0 | 746,762 |
| Total Accumulated Depreciation | 1,168,323 | 33,639 | 0 | 1,201,962 |
| Total Capital Assets Being Depreciated, Net | 259,985 | (33,639) | 0 | 226,346 |
| Total Capital assets, Net | \$1,199,111 | \$(33,639) | \$0 | \$1,165,472 |

Notes to Financial Statements (Continued)

Note 5: Closure and Post-closure Care Costs

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure 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 post-closure 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 post-closure 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 post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure 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 \$459,560 for closure and \$1,678,875 for post-closure, for a total of \$2,138,435 as of June 30, 2009, and the portion of the liability that has been recognized is \$2,098,923. These amounts are based on what it would cost to perform all closure and post-closure care during the year ended June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is .5 years and the capacity used at June 30, 2009 is approximately 98 percent.

Notes to Financial Statements (Continued)

Note 5: Closure and Post-closure 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 post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2009, assets of \$2,202,626 are restricted for these purposes, of which \$459,560 is for closure and \$1,743,066 is for post-closure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Note 6: 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, 2009, there were no unspent amounts retained by the Commission and restricted for the required purposes.

Note 7: 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 8: 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 9: Subsequent Events

On July 21, 2009, the Commission approved a bid of \$982,654 from Prairie Construction Company for the construction of a transfer station.

On July 21, 2009, the Commission approved a \$215,000 contract with Earth Tech/AECOM for engineering services for closure of the landfill and construction of the transfer station.

SUPPLEMENTARY INFORMATION

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF NET ASSETS

June 30, 2009

| Assets | Landfill | Recycling | Total |
|--|--------------------|------------------|--------------------|
| Current Assets: | | | |
| Cash | \$75,263 | \$112,321 | \$187,584 |
| Accounts Receivable | 15,892 | 6,683 | 22,575 |
| Prepaid Insurance | 20,307 | 10,154 | 30,461 |
| Prepaid Stockpile | 160,121 | 0 | 160,121 |
| Total Current Assets | 271,583 | 129,158 | 400,741 |
| Non-Current Assets: | | | |
| Unrestricted Investments | 1,166,445 | 0 | 1,166,445 |
| Restricted Investments | 2,202,626 | 0 | 2,202,626 |
| Capital Assets (Net of Accumulated Depreciation) | 1,066,097 | 99,375 | 1,165,472 |
| Total Non-Current Assets | 4,435,168 | 99,375 | 4,534,543 |
| Total Assets | \$4,706,751 | \$228,533 | \$4,935,284 |
| Liabilities and Net Assets | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$2,837 | \$7,364 | \$10,201 |
| Due to Other Governments | 5,778 | 0 | 5,778 |
| Total Current Liabilities | 8,615 | 7,364 | 15,979 |
| Non-Current Liabilities: | | | |
| Landfill Closure and Post-closure Care Costs | 2,098,923 | 0 | 2,098,923 |
| Total Liabilities | 2,107,538 | 7,364 | 2,114,902 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 1,066,097 | 99,375 | 1,165,472 |
| Restricted For: | | | |
| Closure and Post-closure Care Costs | 2,202,626 | 0 | 2,202,626 |
| Unrestricted | (669,510) | 121,794 | (547,716) |
| Total Net Assets | \$2,599,213 | \$221,169 | \$2,820,382 |

See Accompanying Independent Auditors' Report.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2009

| | Landfill | Recycling | Total |
|---|--------------------|------------------|--------------------|
| OPERATING REVENUES: | | | |
| County and City Assessments | \$689,840 | \$261,948 | \$951,788 |
| Material Sales and Fees | 221,285 | 106,208 | 327,493 |
| DNR Fees | 22,000 | 0 | 22,000 |
| Other Operating Revenues | 6,483 | 309 | 6,792 |
| Total Operating Revenues | 939,608 | 368,465 | 1,308,073 |
| OPERATING EXPENSES: | | | |
| Landfill Management | 159,850 | 0 | 159,850 |
| Wages and Benefits | 80,448 | 149,035 | 229,483 |
| Repairs and Maintenance | 16,985 | 22,187 | 39,172 |
| Trucking | 0 | 119,385 | 119,385 |
| Engineering Services | 75,893 | 0 | 75,893 |
| Education and Training | 0 | 5,200 | 5,200 |
| Legal and Accounting | 15,922 | 2,762 | 18,684 |
| Depreciation and Depletion | 13,755 | 19,885 | 33,640 |
| IA Dept of Natural Resources Tonnage Fees | 22,085 | 0 | 22,085 |
| Landscaping | 47,481 | 0 | 47,481 |
| Appliance Recycling | 3,599 | 0 | 3,599 |
| Tire Recycling | 3,122 | 0 | 3,122 |
| Electronic Recycling | 7,036 | 0 | 7,036 |
| Cardboard Expense | 0 | 6,725 | 6,725 |
| Leachate Operations | 4,422 | 0 | 4,422 |
| Well Maintenance and Monitoring | 14,590 | 0 | 14,590 |
| Special Waste Handling | 1,597 | 0 | 1,597 |
| Insurance | 12,099 | 15,318 | 27,417 |
| Supplies | 138 | 14,402 | 14,540 |
| Site Utilities | 1,478 | 9,899 | 11,377 |
| Office Expenses | 8,558 | 7,500 | 16,058 |
| Fuel | 4,200 | 1,927 | 6,127 |
| Transfer Station | 48,452 | 0 | 48,452 |
| Closure and Post-closure Expense | 177,965 | 0 | 177,965 |
| Total Operating Expenses | 719,675 | 374,225 | 1,093,900 |
| Operating Income (Loss) | 219,933 | (5,760) | 214,173 |
| Non-Operating Revenues: | | | |
| Interest Income | 115,235 | 264 | 115,499 |
| Net Income (Loss) | 335,168 | (5,496) | 329,672 |
| Net Assets – Beginning of Year | 2,264,045 | 226,665 | 2,490,710 |
| Net Assets – End of Year | \$2,599,213 | \$221,169 | \$2,820,382 |

See Accompanying Independent Auditors' Report.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

| | Landfill | Recycling | Total |
|--|-----------|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from Assessments | \$689,840 | \$261,948 | \$951,788 |
| Cash Received from Gate Fees | 249,827 | 0 | 249,827 |
| Cash Received from Other Operating Receipts | 6,483 | 109,588 | 116,071 |
| Cash Paid to Suppliers for Goods and Services | (445,237) | (216,684) | (661,921) |
| Cash Paid to Employees for Services | (80,198) | (150,052) | (230,250) |
| Net Cash Provided by Operating Activities | 420,715 | 4,800 | 425,515 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of Certificate of Deposit | (670,102) | 0 | (670,102) |
| Interest Received | 138,691 | 264 | 138,955 |
| Net Cash Provided by (Used By) Investing Activities | (531,411) | 264 | (531,147) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (110,696) | 5,064 | (105,632) |
| Cash and Cash Equivalents – Beginning of Year | 185,959 | 107,257 | 293,216 |
| Cash and Cash Equivalents – End of Year | \$75,263 | \$112,321 | \$187,584 |

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities:**

| | | | |
|---|-----------|-----------|-----------|
| Operating Income (Loss) | \$219,933 | \$(5,760) | \$214,173 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | |
| Depreciation and Depletion | 13,755 | 19,885 | 33,640 |
| Closure and Post-closure Care Costs | 177,965 | 0 | 177,965 |
| Changes in Assets and Liabilities | | | |
| Decrease in Accounts Receivable | 6,542 | 3,072 | 9,614 |
| (Increase) Decrease in Prepaid Items | 5,264 | (7,375) | (2,111) |
| Decrease in Payables | (2,744) | (5,022) | (7,766) |
| Total Adjustments | 200,782 | 10,560 | 211,342 |
| Net Cash Provided by Operating Activities | \$420,715 | \$4,800 | \$425,515 |

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, 2009, and have issued our report thereon dated September 8, 2009. 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, including deficiencies we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses, items A and B.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting, item C.

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, 2009 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 8, 2009

Gardiner Thompson, P.C.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2009

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.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2009

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 – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 15, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but was not. However, the total claims approved in the Commission minutes do not agree to the detailed listing in the publications.

Recommendation – The total claims approved and paid by the Commission and documented in the Commission minutes should be identical to the listing included for publication in the official newspaper.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2009

Other Findings Related to Statutory Reporting (Continued):

Response – The correct disbursement listing was published in the official newspaper. However, the executive secretary was documenting an incorrect total that included journal entries for depreciation and closure/post-closure costs in the Commission minutes. 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.
- (5) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2009, 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 post-closure 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 | Post-closure |
|--|-----------|--------------|
| Total Estimated Cost for Closure and Post Closure Care | \$459,560 | \$1,678,875 |
| Less: Balance of Funds Held in the Local Dedicated Fund at June 30, 2008 | (348,650) | (1,760,729) |
| Required Payment/Over Funded Amount in the Local Dedicated Fund for the Year Ended June 30, 2009 | \$110,910 | \$(81,854) |
| Balance of Funds Held in the Local Dedicated Fund at June 30, 2008 | \$348,650 | \$1,760,729 |
| Required Balance of Funds to be Held in the Local Dedicated Balance Fund at June 30, 2009 | \$459,560 | \$1,678,875 |
| Amount Commission has Restricted for Closure and Post-closure Care at June 30, 2009 | \$459,560 | \$1,743,066 |

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2009

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> |
|---|---------------------|---------------|
| Cindy Wilkinson, Finance Director Husband is owner of RCNB, Inc. | Landfill Operations | \$176,849 |
| Robert Gage, West Union Representative Owner of Gage & Gage Inc. | Repairs | \$116 |

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with RCNB, Inc. do not appear to represent conflicts of interest since they were entered into through the competitive bidding process in writing, publicly invited and opened. Cindy Wilkinson does not participate in acquiring the above services.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Gage & Gage Plumbing, Inc. do not appear to represent conflicts of interest since the total transactions were not in excess of \$1,500 during the fiscal year.