

**FAYETTE COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

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

June 30, 2010

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

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FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS
June 30, 2010

<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
Bill Ashby.....	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
Kelly Beacom.....	Member	City of Maynard
Geraldine Winkie	Member	City of Randalia
Clarence Schwamman	Member	City of St. Lucas
Eric Boehm	Member	City of Wadena
Bret Wilkinson	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, 2010. 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 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, 2010, 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 3, 2010 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 3, 2010

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, 2010. We encourage readers to consider this information in conjunction with Fayette County Solid Waste Management Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- * The Commission's operating revenues increased 1%, or \$18,031, from fiscal 2009 to 2010. Material sales and Gate fees increased slightly.
- * The Commission's operating expenses increased 32% or \$350,700 from fiscal 2009 to fiscal 2010. Tipping fees and Hauler Contract and fees were new expense line items created for the transfer station. Expenses were \$162,433 and \$66,217, respectively, for the year.
- * The Commission's net assets decreased 2%, or \$35,111, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The Fayette County Solid Waste Management Commission is a 28E Organization 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 2010 totaled approximately \$2,785,271. This compares to approximately \$2,820,382 for fiscal 2009. A summary of the Commission's net assets is presented below.

	June 30,	
	2010	2009
Current Assets	\$447,703	\$400,741
Unrestricted Investments	0	1,166,445
Restricted Investments	2,321,204	2,202,626
Capital Assets at Cost, Less Accumulated Depreciation	2,332,502	1,165,472
Total Assets	5,101,409	4,935,284
Current Liabilities	117,108	15,979
Noncurrent Liabilities	2,199,030	2,098,923
Total Liabilities	2,316,138	2,114,902
Net Assets:		
Invested in Capital Assets	2,332,502	1,165,472
Restricted	2,321,204	2,202,626
Unrestricted	(1,868,435)	(547,716)
Total Net Assets	\$2,785,271	\$2,820,382

The largest portion of the Commission's net assets is invested in capital assets and 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, 2010 and 2009 is presented below:

Changes in Net Assets

	Year Ended June 30,	
	2010	2009
Operating Revenue		
Gate fees	\$347,854	\$327,493
DNR fees	22,000	22,000
County and City Assessments	952,188	951,788
Other Operating Revenues	4,062	6,792
Total Operating Revenue	1,326,104	1,308,073
Operating Expenses		
Landfill Management	234,925	159,850
Wages and Benefits	269,381	229,483
Repairs and Maintenance	106,200	39,172
Hauler Contract & Fees	66,217	0
Trucking	104,743	119,385
Engineering Services	109,964	75,893
Education and Training	5,292	5,200
Legal and Accounting	20,938	18,684
Depreciation and Depletion	50,002	33,640
IA. Dept. of Natural Resources Tonnage fees	13,157	22,085
Landscaping	9,139	47,481
Appliance Recycling	2,274	3,599
Tire Recycling	2,810	3,122
Electronic Recycling	6,621	7,036
Cardboard Expense	5,557	6,725
Leachate Operations	11,953	4,422
Well Maintenance and Monitoring	12,735	14,590
Special Waste Handling	9,655	1,597
Insurance	24,177	27,417
Supplies	9,125	14,540
Site Utilities	12,887	11,377
Office Expenses	33,667	16,058
Fuel	5,928	6,127
Tipping Fees	162,433	0
Transfer Station	0	48,452
Closure and Post-closure Expense	154,820	177,965
Total Operating Expenses	1,444,600	1,093,900
Operating Income (Loss)	(118,496)	214,173
Non-Operating Revenues (Expenses)		
Rental Income	2,900	0
Interest Income	80,485	115,499
Net Non-Operating Revenue	83,385	115,499
Increase (Decrease) in Net Assets	(35,111)	329,672
Net Assets beginning of year	2,820,382	2,490,710
Net Assets end of year	\$2,785,271	\$2,820,382

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 expenses associated with the closure of the landfill and the establishment and operation of the transfer station.

In fiscal 2010, operating revenues increased by \$18,031, or 1%, primarily a result of increased material sales of \$20,361. Operating expenses increased by \$350,700, primarily a result of closure expenses and transfer station 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, 2010, the Commission had approximately \$3,584,466 invested in capital assets, net of accumulated depreciation of approximately \$1,251,964. Depreciation charges totaled \$50,002 for fiscal 2010. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2010, the Commission had \$2,199,030 in long term liabilities, an increase of \$100,107 from 2009. The table below summarizes outstanding debt.

	June 30,	
	2010	2009
Closure and post-closure care cost	\$2,199,030	\$2,098,924

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

ECONOMIC FACTORS

The Fayette County Landfill saw the last of the solid waste going into the cell on December 31, 2009. The first day of operation at the new Transfer Station was January 20, 2010.

This brought with it a significant change in operations at the site. Also, because the construction of the Transfer Station ran 62% over the estimated cost, the Commission's expenses ran significantly over budget for the year. The Commission anticipated it to take a year to get a clear picture of operational costs involved with the new Transfer Station. The billing structure of solid waste received at this facility remains the same.

An additional \$86,000 was added to the Closure/Post Closure dedicated fund balance in March 2010. The closing of Cells 1A, 1D and 2A began on May 21st, 2010 and is expected to be completed by the end of September 2010. Closure costs to the Commission should then be reduced.

Operations at the Fayette County Recycling basically remained the same. The fluctuation of revenue was due to the fluctuation of prices received for recycling materials. The budget remained positive for the year.

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, 2010

Assets

Current Assets:	
Cash	\$283,850
Accounts Receivable	39,062
Prepaid Insurance	19,384
Prepaid Stockpile	105,407
Total Current Assets	447,703
Non-Current Assets:	
Restricted Investments	2,321,204
Capital Assets (Net of Accumulated Depreciation)	2,332,502
Total Non-Current Assets	4,653,706
Total Assets	\$5,101,409

Liabilities and Net Assets

Current Liabilities:	
Accounts Payable	\$79,155
Due to Other Governments	37,953
Total Current Liabilities	117,108
Noncurrent Liabilities:	
Landfill Closure and Post-closure Care Costs	2,199,030
Total Liabilities	2,316,138
Net Assets	
Investment in Capital Assets, Net of Related Debt	2,332,502
Restricted for:	
Closure & Post-closure Care Costs	2,321,204
Unrestricted	(1,868,435)
Total Net Assets	\$2,785,271

See notes to financial statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 Year Ended June 30, 2010

OPERATING REVENUES:	
County and City Assessments	\$952,188
Material Sales and Fees	347,854
DNR Fees	22,000
Other Operating Revenues	4,062
Total Operating Revenues	1,326,104
OPERATING EXPENSES:	
Landfill Management	234,925
Wages and Benefits	269,381
Repairs and Maintenance	106,200
Hauler Contract and Fees	66,217
Trucking	104,743
Engineering Services	109,964
Education and Training	5,292
Legal and Accounting	20,938
Depreciation and Depletion	50,002
Iowa Department of Natural Resources Tonnage Fees	13,157
Landscaping	9,139
Alliance Recycling	2,274
Tire Recycling	2,810
Electronic Recycling	6,621
Cardboard Expense	5,557
Leachate Operations	11,953
Well Maintenance and Monitoring	12,735
Special Waste Handling	9,655
Insurance	24,177
Supplies	9,125
Site Utilities	12,887
Office Expenses	33,667
Fuel	5,928
Tipping Fees	162,433
Closure and Post-closure Expense	154,820
Total Operating Expenses	1,444,600
Operating Loss	(118,496)
Non-Operating Revenues:	
Rental Income	2,900
Interest Income	80,485
Net Non-Operating Revenues	83,385
Change in Net Assets	(35,111)
Net Assets Beginning of Year	2,820,382
Net Assets End of Year	\$2,785,271

See notes to financial statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Assessments	\$952,188
Cash Received from Gate Fees	238,812
Cash Received from Other Operating Receipts	118,618
Cash Paid to Suppliers for Goods and Services	(891,151)
Cash Paid to Employees for Services	(268,920)
Net Cash Provided by Operating Activities	149,547
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(1,184,532)
Rents Received	2,900
Net Cash Used In Capital and Related Financing Activities	(1,181,632)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Certificate of Deposit	(612,093)
Cash out of Certificate of Deposit	1,669,924
Interest Received	70,520
Net Cash Provided by Investing Activities	1,128,351
Net Increase in Cash and Cash Equivalents	96,266
Cash and Cash Equivalents – Beginning of Year	187,584
Cash and Cash Equivalents – End of Year	\$283,850
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	\$(118,496)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation and Depletion	50,002
Closure and Post-closure Care Costs	154,820
Changes in Assets and Liabilities	
Increase in Accounts Receivable	(16,485)
Decrease in Prepaid Items	11,076
Increase in Payables	68,630
Total Adjustments	268,043
Net Cash Provided by Operating Activities	\$149,547

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 Enterprise Funds. 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.

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, 2010.

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, 2010 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 4.30% of their annual covered salary and the Commission is required to contribute 6.65% of covered salary. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 are recorded on Fayette County's expenditures as the County pays the contribution and is reimbursed by the Commission.

Note 4: Other Postemployment Benefits (OPEB)

The Commission implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions during the year ended June 30, 2010.

The Commission participates in the Fayette County postretirement medical plan (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The actuarial valuation of liabilities under the OPEB Plan is calculated using the Frozen Age Entry actuarial cost method as of the July 1, 2008 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$457,722 for Fayette County as of June 30, 2010. The Commission's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB plan are available in Fayette County's audit report for the year ended June 30, 2009. The report may be obtained by writing to the Fayette County's Auditor's Office, 114 North Vine, West Union, Iowa 52175.

The Commission did not recognize a net OPEB liability for other postemployment benefits, which would represent the Commission's portion of Fayette County's net OPEB obligation, the amount could not be determined and appears to be immaterial.

Notes to Financial Statements (Continued)

Note 5: Capital Assets

A summary of property and equipment at June 30, 2010 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	1,100,032	0	1,475,128
Equipment and Vehicles	306,450	117,000	0	423,450
Cell Development	746,762	0	0	746,762
Total Capital Assets Being Depreciated	1,428,308	1,217,032	0	2,645,340
Less Accumulated Depreciation For:				
Buildings	208,125	30,885	0	239,010
Equipment and Vehicles	247,075	19,117	0	266,192
Cell Development	746,762	0	0	746,762
Total Accumulated Depreciation	1,201,962	50,002	0	1,251,964
Total Capital Assets Being Depreciated, Net	226,346	1,167,030	0	1,393,376
Total Capital assets, Net	\$1,165,472	\$1,167,030	\$0	\$2,332,502

Note 6: 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.

Notes to Financial Statements (Continued)

Note 6: Closure and Post-closure Care Costs (Continued)

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 \$582,400 for closure and \$1,678,875 for post-closure, for a total of \$2,261,275 as of June 30, 2010, and the portion of the liability that has been recognized is \$2,261,275. These amounts are based on what it would cost to perform all closure and post-closure care during the year ended June 30, 2010. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The landfill reached full capacity in December of 2009 and was closed. The closure cost liability has been reduced to reflect the cost of closure activities performed in fiscal 2010.

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, 2010, assets of \$2,278,952 are restricted for these purposes, of which \$600,077 is for closure and \$1,678,875 is for post-closure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Note 7: Transfer Station Closure Care

To comply with state regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Commission is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total cost for the Commission as of June 30, 2010 have been estimated at \$41,900. The balance has been restricted and is over funded \$(42,251) at June 30, 2010.

Notes to Financial Statements (Continued)

Note 8: 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.

The landfill was closed in December of 2009, and solid waste tonnage fees are no longer being retained.

At June 30, 2010, there were no unspent amounts retained by the Commission and restricted for the required purposes.

Note 9: 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 10: 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 11: Subsequent Events

On July 20, 2010, the Commission approved a \$116,000 contract with Earth Tech/AECOM for engineering services through June of 2011.

Note 12: Landfill Operations

In December of 2009, the Commission closed the landfill and built a transfer station. The Commission had a five year contract with RCNB Inc. for landfill operations which began in fiscal year 2007. Since the landfill was to close and operations were no longer required, the Commission bought out the RCNB, Inc. contract. \$77,500 was paid to RCNB in December of 2009 and again in June of 2010.

Note 13: Construction Commitment

The Commission awarded a contract for \$426,888 to Riehm Construction for completion of the final cover of the landfill. As of June 30, 2010, \$52,138 had been paid to Riehm Construction for progress on the closure contract. The contract completion is anticipated in September of 2010.

SUPPLEMENTARY INFORMATION

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF NET ASSETS

June 30, 2010

Assets	Landfill/Transfer Station	Recycling	Total
Current Assets:			
Cash	\$135,232	\$148,618	\$283,850
Accounts Receivable	23,751	15,311	39,062
Prepaid Insurance	12,923	6,461	19,384
Prepaid Stockpile	105,407	0	105,407
Total Current Assets	277,313	170,390	447,703
Noncurrent Assets:			
Restricted Investments	2,321,204	0	2,321,204
Capital Assets (Net of Accumulated Depreciation)	2,251,520	80,982	2,332,502
Total Noncurrent Assets	4,572,724	80,982	4,653,706
Total Assets	\$4,850,037	\$251,372	\$5,101,409
Liabilities and Net Assets			
Current Liabilities:			
Accounts Payable	\$71,392	\$7,763	\$79,155
Due to Other Governments	37,953	0	37,953
Total Current Liabilities	109,345	7,763	117,108
Noncurrent Liabilities:			
Landfill Closure and Post-closure Care Costs	2,199,030	0	2,199,030
Total Liabilities	2,308,375	7,763	2,316,138
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,251,520	80,982	2,332,502
Restricted For:			
Closure and Post-closure Care Costs	2,321,204	0	2,321,204
Unrestricted	(2,031,062)	162,627	(1,868,435)
Total Net Assets	\$2,541,662	\$243,609	\$2,785,271

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, 2010

	Landfill/Transfer Station	Recycling	Total
OPERATING REVENUES:			
County and City Assessments	\$690,239	\$261,949	\$952,188
Material Sales and Fees	224,671	123,183	347,854
DNR Fees	22,000	0	22,000
Other Operating Revenues	2,768	1,294	4,062
Total Operating Revenues	939,678	386,426	1,326,104
OPERATING EXPENSES:			
Landfill Management	234,925	0	234,925
Wages and Benefits	105,988	163,393	269,381
Repairs and Maintenance	82,091	24,109	106,200
Hauler Contract and Fees	66,217	0	66,217
Trucking	0	104,743	104,743
Engineering Services	109,964	0	109,964
Education and Training	185	5,107	5,292
Legal and Accounting	19,511	1,427	20,938
Depreciation and Depletion	31,609	18,393	50,002
IA Dept of Natural Resources Tonnage Fees	13,157	0	13,157
Landscaping	9,139	0	9,139
Appliance Recycling	2,274	0	2,274
Tire Recycling	2,810	0	2,810
Electronic Recycling	6,621	0	6,621
Cardboard Expense	0	5,557	5,557
Leachate Operations	11,953	0	11,953
Well Maintenance and Monitoring	12,735	0	12,735
Special Waste Handling	1,602	8,053	9,655
Insurance	12,319	11,858	24,177
Supplies	1,057	8,068	9,125
Site Utilities	3,539	9,348	12,887
Office Expenses	25,170	8,497	33,667
Fuel	3,937	1,991	5,928
Tipping Fees	162,433	0	162,433
Closure and Post-closure Expense	154,820	0	154,820
Total Operating Expenses	1,074,056	370,544	1,444,600
Operating Income (Loss)	(134,378)	15,882	(118,496)
Non-Operating Revenues:			
Rental Income	2,900	0	2,900
Interest Income	73,927	6,558	80,485
Total Non-Operating Revenues	76,827	6,558	83,385
Net Income (Loss)	(57,551)	22,440	(35,111)
Net Assets – Beginning of Year	2,599,213	221,169	2,820,382
Net Assets – End of Year	\$2,541,662	\$243,609	\$2,785,271

See Accompanying Independent Auditors' Report.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

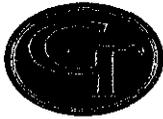
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

	Landfill/Transfer Station	Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Assessments	\$690,239	\$261,949	\$952,188
Cash Received from Gate Fees	238,812	0	238,812
Cash Received from Other Operating Receipts	2,768	115,850	118,618
Cash Paid to Suppliers for Goods and Services	(706,023)	(185,128)	(891,151)
Cash Paid to Employees for Services	(105,988)	(162,932)	(268,920)
Net Cash Provided by Operating Activities	119,808	29,739	149,547
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(1,184,532)	0	(1,184,532)
Rents Received	2,900	0	2,900
Net Cash Used in Capital and Related Financing Activities	(1,181,632)	0	(1,181,632)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Certificate of Deposit	(612,093)	0	(612,093)
Cash out of Certificate of Deposit	1,669,924	0	1,669,924
Interest Received	63,962	6,558	70,520
Net Cash Provided by Investing Activities	1,121,793	6,558	1,128,351
Net Increase in Cash and Cash Equivalents	59,969	36,297	96,266
Cash and Cash Equivalents – Beginning of Year	75,263	112,321	187,584
Cash and Cash Equivalents – End of Year	\$135,232	\$148,618	\$283,850
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$(134,378)	\$15,882	\$(118,496)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Depletion	31,609	18,393	50,002
Closure and Post-closure Care Costs	154,820	0	154,820
Changes in Assets and Liabilities			
Increase in Accounts Receivable	(7,857)	(8,628)	(16,485)
Decrease in Prepaid Items	7,384	3,692	11,076
Increase in Payables	68,230	400	68,630
Total Adjustments	254,186	13,857	268,043
Net Cash Provided by Operating Activities	\$119,808	\$29,739	\$149,547

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, 2010, and have issued our report thereon dated October 3, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

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 Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Commission's internal control described in the accompanying Schedule of Findings as items (A) and (B), to be material weaknesses.

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 as item (C) to be a significant deficiency.

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, 2010 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 3, 2010

Gardiner Thomsen, P.C.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2010

Findings Related to the Financial Statements:

Internal Control 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 bi-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, 2010

Internal Control 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 noted.

Other Findings Related to Required 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 were not. However, there was no documentation of final action taken in open session for a closed session on January 19, 2010. In addition, the minutes do not show information sufficient to indicate the vote of each member present for votes taken in the November 17, 2009 and February 23, 2010 meetings.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2010

Other Findings Related to Required Statutory Reporting (Continued):

Recommendation – Chapter 21 of the Code of Iowa requires documentation of final action in open session after a closed session. Chapter 21.3 of the Code of Iowa requires the minutes show information sufficient to determine the vote of each member present.

Response –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, 2010, 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	\$582,400	\$1,678,875
Less: Balance of Funds Held in the Local Dedicated Fund at June 30, 2009	459,560	1,743,066
Required Payment/Over Funded Amount in the Local Dedicated Fund for the Year Ended June 30, 2010	\$122,840	\$(64,191)
Balance of Funds Held in the Local Dedicated Fund at June 30, 2009	\$459,560	\$1,743,066
Required Balance of Funds to be Held in the Local Dedicated Balance Fund at June 30, 2010	\$582,400	\$1,678,875
Amount Commission has Restricted for Closure and Post-closure Care at June 30, 2010	\$600,077	\$1,678,875

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2010

Other Findings Related to Required 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	\$245,514

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.