

**FAYETTE COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

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

June 30, 2012

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

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FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS
June 30, 2012

<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
Kerry Opel	Member	City of Fayette
Darrel Dolf	Member	Fayette County
Jeanine Tellin	Member	Fayette County
Vicki Rowland	Member	Fayette County
Gary Holthaus	Member	Fayette County
Mike Schutte	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
Don Bushaw	Member	City of Westgate
Kennon Gumm	Member	City of West Union

Supervisory Personnel

<u>Name</u>	<u>Position</u>
Joan Swenka	Executive Secretary
Ruth Ann Kearney.....	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, 2012. 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 auditing standards generally accepted in the United States of America 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, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2013 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.

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 4 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fayette County Solid Waste Management Commission's financial statements as a whole. The supplementary information included in Schedules 1 – 3, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

February 1, 2013

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, 2012. 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 4%, or \$41,481, from fiscal 2011 to 2012 as gate fees were decreased slightly.
- * The Commission's operating expenses decreased 3% or \$33,011 from fiscal 2011 to fiscal 2012. Tipping fees showed a decrease of \$17,019.
- * The Commission's net assets increased 4%, or \$128,175, from June 30, 2011 to June 30, 2012.

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 2012 totaled approximately \$3,062,669. This compares to approximately \$2,934,494 for fiscal 2011. A summary of the Commission's net assets is presented below.

Net Assets		
	June 30,	
	2012	2011
Current Assets	\$ 516,420	\$ 365,530
Restricted Investments	2,030,574	2,005,001
Capital Assets at Cost, Less Accumulated Depreciation	2,209,084	2,279,634
Total Assets	<u>4,756,078</u>	<u>4,650,165</u>
Current Liabilities	5,643	9,805
Noncurrent Liabilities	1,687,766	1,705,866
Total Liabilities	<u>1,693,409</u>	<u>1,715,671</u>
Net Assets:		
Invested in Capital Assets	2,209,084	2,279,634
Restricted	2,030,574	2,005,001
Unrestricted	<u>(1,176,989)</u>	<u>(1,350,141)</u>
Total Net Assets	<u>\$ 3,062,669</u>	<u>\$ 2,934,494</u>

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 transfer station and recycling center. 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, 2012 and 2011 is presented below:

Changes in Net Assets

	Year Ended June 30,	
	2012	2011
Operating Revenue		
Gate fees	\$ 294,589	\$ 343,370
DNR fees	0	22,000
County and City Assessments	973,548	951,548
Other Operating Revenues	19,926	12,626
Total Operating Revenue	<u>1,288,063</u>	<u>1,329,544</u>
Operating Expenses		
Wages and Benefits	296,856	294,501
Repairs and Maintenance	39,995	24,533
Hauler Contract & Fees	127,182	131,101
Trucking	116,852	104,184
Engineering Services	41,900	87,764
Education and Training	5,220	5,438
Legal and Accounting	13,811	15,966
Depreciation and Depletion	85,550	76,868
Landscaping	6,570	6,595
Appliance Recycling	1,797	1,766
Tire Recycling	3,198	1,501
Electronic Recycling	3,234	5,658
Cardboard Expense	2,390	7,568
Leachate Operations	32,655	21,375
Well Maintenance and Monitoring	13,337	13,332
Special Waste Handling	4,830	4,994
Insurance	33,685	31,416
Supplies	9,669	8,589
Site Utilities	11,692	13,899
Office Expenses	10,641	17,070
Fuel	4,262	7,200
Tipping Fees	328,646	345,665
Total Operating Expenses	<u>1,193,972</u>	<u>1,226,983</u>
Operating Income	<u>94,091</u>	<u>102,561</u>
Non-Operating Revenues		
Gain on Sale of Capital Asset	2,100	2,500
Rental Income	3,025	3,025
Interest Income	28,959	41,137
Net Non-Operating Revenue	<u>34,084</u>	<u>46,662</u>
Increase in Net Assets	128,175	149,223
Net Assets beginning of year	<u>2,934,494</u>	<u>2,785,271</u>
Net Assets end of year	<u>\$3,062,669</u>	<u>\$2,934,494</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2012, operating revenues decreased by \$41,481, or 4% and operating expenses decreased by \$33,011, primarily a result of decreased gate fees and tipping 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, 2012, the Commission had approximately \$3,555,734 invested in capital assets, net of accumulated depreciation of approximately \$1,346,650. Depreciation charges totaled \$85,550 for fiscal 2012. More detailed information about the Commission's capital assets is presented in Note 5 to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2012, the Commission had \$1,687,766 in long term liabilities, a decrease of \$18,100 from 2011. The table below summarizes outstanding debt.

	June 30,	
	2012	2011
Closure and post-closure care cost	<u>\$1,687,766</u>	<u>\$1,705,866</u>

Additional information about the Commission's long term liabilities is presented in Notes 6 and 7 to the financial statements.

ECONOMIC FACTORS

Transfer Station operation will have a new waste hauling contract in 2013. An increase in rates is to be expected. Landfill/Transfer station fees will remain the same with the exception of appliances. We are accepting them free of charge to the citizens of Fayette County. Application is being processed for the construction of a new leachate tank system. Operations at the Fayette County Recycling will basically remain the same. Fluctuation of revenue is due to prices received for recycling material.

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 267, West Union, Iowa 52175.

BASIC FINANCIAL STATEMENTS

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION**STATEMENT OF NET ASSETS**

June 30, 2012

Assets

Current Assets:

Cash	\$ 462,117
Accounts Receivable	23,297
Prepaid Insurance	31,006
Total Current Assets	516,420

Non-Current Assets:

Restricted Investments	2,030,574
Capital Assets (Net of Accumulated Depreciation)	2,209,084
Total Non-Current Assets	4,239,658

Total Assets **\$ 4,756,078**

Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 5,572
Due to Other Governments	71
Total Current Liabilities	5,643

Noncurrent Liabilities:

Landfill Closure and Post-closure Care Costs	1,687,766
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Total Liabilities **1,693,409**

Net Assets

Investment in Capital Assets, Net of Related Debt	2,209,084
Restricted for:	
Closure & Post-closure Care Costs	2,030,574
Unrestricted	(1,176,989)

Total Net Assets **\$ 3,062,669**

See Notes to Financial Statements.

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

Year Ended June 30, 2012

OPERATING REVENUES:

County and City Assessments	\$ 973,548
Material Sales and Fees	294,589
Other Operating Revenues	19,926
<hr/> Total Operating Revenues	<hr/> 1,288,063

OPERATING EXPENSES:

Wages and Benefits	296,856
Repairs and Maintenance	39,995
Hauler Contract and Fees	127,182
Trucking	116,852
Engineering Services	41,900
Education and Training	5,220
Legal and Accounting	13,811
Depreciation	85,550
Landscaping	6,570
Appliance Recycling	1,797
Tire Recycling	3,198
Electronic Recycling	3,234
Cardboard Expense	2,390
Leachate Operations	32,655
Well Maintenance and Monitoring	13,337
Special Waste Handling	4,830
Insurance	33,685
Supplies	9,669
Site Utilities	11,692
Office Expenses	10,641
Fuel	4,262
Tipping Fees	328,646
<hr/> Total Operating Expenses	<hr/> 1,193,972

Operating Income	94,091
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Non-Operating Revenues (Expenses):

Gain on Sale of Capital Assets	2,100
Rental Income	3,025
Interest Income	28,959
<hr/> Net Non-Operating Revenues	<hr/> 34,084

Change in Net Assets	128,175
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Net Assets Beginning of Year	2,934,494
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Net Assets End of Year	\$3,062,669
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See Notes to Financial Statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Assessments	\$ 973,548
Cash Received from Gate Fees	161,537
Cash Received from Other Operating Receipts	159,888
Cash Paid to Suppliers for Goods and Services	(856,425)
Cash Paid to Employees for Services	(296,996)
Net Cash Provided by Operating Activities	141,552

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Sale of Capital Assets	2,100
Purchase of Capital Assets	(15,000)
Rents Received	3,025
Net Cash Used In Capital and Related Financing Activities	(9,875)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Certificate of Deposit	(35,602)
Interest Received	38,988
Net Cash Provided by Investing Activities	3,386

Net Increase in Cash	135,063
Cash – Beginning of Year	327,054
Cash – End of Year	\$ 462,117

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income	\$ 94,091
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	85,550
Changes in Assets and Liabilities	(18,100)
Decrease in Accounts Receivable	6,872
Increase in Prepaid Items	(22,699)
Decrease in Payables	(4,162)
Total Adjustments	47,461
Net Cash Provided by Operating Activities	\$ 141,552

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 transfer station 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.

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, 2012.

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 in banks at June 30, 2012 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 5.38% of their annual covered salary and the Commission is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 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 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, 2011 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, 2012. 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, 2012. 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, 2012 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	1,475,128	0	0	1,475,128
Equipment and Vehicles	426,319	18,936	50,537	394,718
Cell Development	746,762	0	0	746,762
Total Capital Assets Being Depreciated	2,648,209	18,936	50,537	2,616,608
Less Accumulated Depreciation For:				
Buildings	285,266	46,256	0	331,522
Equipment and Vehicles	275,673	39,294	46,601	268,366
Cell Development	746,762	0	0	746,762
Total Accumulated Depreciation	1,307,701	85,550	46,601	1,346,650
Total Capital Assets Being Depreciated, Net	1,340,508	(66,614)	3,936	1,269,958
Total Capital Assets, Net	\$2,279,634	\$(66,614)	\$ 3,936	\$2,209,084

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 \$1,678,875 for post-closure, as of June 30, 2012, and the portion of the liability that has been recognized is \$1,678,875. These amounts are based on what it would cost to perform all post-closure care during the year ended June 30, 2012. 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 eliminated to reflect the cost of closure activities performed in fiscal 2011.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate 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, 2012, assets of \$1,986,947 are restricted for this purposes. 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, 2012 have been estimated at \$41,900. The balance has been restricted and is over funded \$43,627 at June 30, 2012.

Notes to Financial Statements (Continued)

Note 8: Solid Waste Tonnage Fees Retained

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

At June 30, 2012, 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: Subsequent Events

Management evaluated subsequent events through February 1, 2013, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF NET ASSETS

June 30, 2012

Assets	Landfill/Transfer Station	Recycling	Total
Current Assets:			
Cash	\$ 218,719	\$243,398	\$ 462,117
Accounts Receivable	16,324	6,973	23,297
Prepaid Insurance	18,857	12,149	31,006
Total Current Assets	253,900	262,520	516,420
Noncurrent Assets:			
Restricted Investments	2,030,574	0	2,030,574
Capital Assets (Net of Accumulated Depreciation)	2,135,580	73,504	2,209,084
Total Noncurrent Assets	4,166,154	73,504	4,239,658
Total Assets	\$ 4,420,054	\$336,024	\$ 4,756,078
Liabilities and Net Assets			
Current Liabilities:			
Accounts Payable	\$ 963	\$4,609	\$ 5,572
Due to Other Governments	0	71	71
Total Current Liabilities	963	4,680	5,643
Noncurrent Liabilities:			
Landfill Closure and Post-closure Care Costs	1,687,766	0	1,687,766
Total Liabilities	1,688,729	4,680	1,693,409
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,135,580	73,504	2,209,084
Restricted For:			
Closure and Post-closure Care Costs	2,030,574	0	2,030,574
Unrestricted	(1,434,829)	257,840	(1,176,989)
Total Net Assets	\$ 2,731,325	\$331,344	\$ 3,062,669

See Accompanying Independent Auditors' Report.

Schedule 2**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2012**

	Landfill/Transfer Station	Recycling	Total
Operating Revenues:			
County and City Assessments	\$ 711,600	\$261,948	\$ 973,548
Material Sales and Fees	160,163	134,426	294,589
Other Operating Revenues	17,556	2,370	19,926
Total Operating Revenues	889,319	398,744	1,288,063
Operating Expenses:			
Wages and Benefits	130,436	166,420	296,856
Repairs and Maintenance	5,346	34,649	39,995
Hauler Contract and Fees	127,182	0	127,182
Trucking	0	116,852	116,852
Engineering Services	41,900	0	41,900
Education and Training	220	5,000	5,220
Legal and Accounting	12,367	1,444	13,811
Depreciation	57,970	27,580	85,550
Landscaping	6,570	0	6,570
Appliance Recycling	1,797	0	1,797
Tire Recycling	3,198	0	3,198
Electronic Recycling	3,234	0	3,234
Cardboard Expense	0	2,390	2,390
Leachate Operations	32,655	0	32,655
Well Maintenance and Monitoring	13,337	0	13,337
Special Waste Handling	2,415	2,415	4,830
Insurance	20,644	13,041	33,685
Supplies	1,113	8,556	9,669
Site Utilities	5,592	6,100	11,692
Office Expenses	6,795	3,846	10,641
Fuel	1,041	3,221	4,262
Tipping Fees	328,646	0	328,646
Total Operating Expenses	802,458	391,514	1,193,972
Operating Income	86,861	7,230	94,091
Non-Operating Revenues:			
Gain on Sale of Capital Asset	0	2,100	2,100
Rental Income	3,025	0	3,025
Interest Income	27,810	1,149	28,959
Total Non-Operating Revenues	30,835	3,249	34,084
Net Income	117,696	10,479	128,175
Net Assets – Beginning of Year	2,613,629	320,865	2,934,494
Net Assets – End of Year	\$2,731,325	\$331,344	\$3,062,669

See Accompanying Independent Auditors' Report.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

	Landfill/Transfer Station	Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Assessments	\$ 711,600	\$ 261,948	\$ 973,548
Cash Received from Gate Fees	161,537	0	161,537
Cash Received from Other Operating Receipts	17,556	142,332	159,888
Cash Paid to Suppliers for Goods and Services	(651,772)	(204,653)	(856,425)
Cash Paid to Employees for Services	(132,114)	(164,882)	(296,996)
Net Cash Provided by Operating Activities	106,807	34,745	141,552
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Sale of Capital Assets	0	2,100	2,100
Purchase of Capital Assets	0	(15,000)	(15,000)
Rents Received	3,025	0	3,025
Net Cash Provided by (Used in) Capital and Related Financing Activities	3,025	(12,900)	(9,875)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Certificate of Deposit	(35,602)	0	(35,602)
Interest Received	37,839	1,149	38,988
Net Cash Provided by Investing Activities	2,237	1,149	3,386
Net Increase in Cash	112,069	22,994	135,063
Cash – Beginning of Year	106,650	220,404	327,054
Cash – End of Year	\$ 218,719	\$ 243,398	\$ 462,117

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

Operating Income	\$ 86,861	\$ 7,230	\$ 94,091
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	57,970	27,580	85,550
Closure/Post Closure Care Costs	(18,100)	0	(18,100)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	1,374	5,498	6,872
Increase in Prepaid Items	(13,319)	(9,380)	(22,699)
Increase (Decrease) in Payables	(7,979)	3,817	(4,162)
Total Adjustments	19,946	27,515	47,461
Net Cash Provided by Operating Activities	\$ 106,807	\$ 34,745	\$ 141,552

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, 2012, and have issued our report thereon dated February 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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

The management of the Fayette County Solid Waste Management Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 an opinion of the effectiveness of the Fayette County Solid Waste Management Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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, 2012 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.

February 1, 2013

Gardiner Thompson, P.C.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2012

Findings Related to the Financial Statements:

Internal Control Deficiencies:

(A) Segregation of Duties

Condition – 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.

Cause – Limited staff available to segregate duties.

Criteria – Due to the limited staff, the Commission should monitor the operations of the Commission on a continuing basis.

Recommendation – The duties should be separated as much as possible and compensating controls should be used to compensate for the lack of segregation of duties. The Commission should rely on its knowledge of the operations of the Commission.

Response and Corrective Action Planned – The Executive Secretary will review receipts and expenditures on a weekly basis, bank reconciliations monthly, and a physical inspection of certificates of deposit will be made bi-monthly.

(B) Financial Reporting

Condition – During the audit, we identified material amounts of receipts from the Transfer Station not posted to the general ledger. We identified material amounts of accounts receivable, capital assets, accumulated depreciation, depreciation expense, prepaid expenses and accounts payable not recorded in the Commission's financial statements. We noted that the trial balance provided for the Transfer Station was not in balance. It was noted that City Recycling Fees were recorded in the Transfer Station general ledger instead of the Recycling general ledger. It was noted that the beginning balances on the general ledger did not reconcile to the prior year ending balances.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2012

Internal Control Deficiencies: (Continued)

(B) Financial Reporting (Continued)

Cause – The Commission did not record beginning balances correctly into the new Quickbooks software program at July 1, 2011. The Commission did not record Transfer Station receipts deposited at First State Bank, Fayette into the Transfer Station general ledger. The Commission did not record all accounts receivable, accounts payable and prepaid expenses. The Commission did not record capital asset beginning balances or post any depreciation expense during the fiscal year. The Commission posted City Recycling Fees to the Transfer Station general ledger instead of the Recycling general ledger.

Criteria – The Commission should implement procedures to ensure the general ledger is correct and balanced. The Commission should implement procedures to ensure that all assets are recorded and all receivables, payables, and prepaid expenses are identified and included in the Commission's financial statements.

Effect – Because of a lack of procedures to ensure all transactions are recorded, transactions could occur without being recorded on the Commission's financial statements, resulting in a misstatement.

Recommendation – The Commission should implement procedures to ensure all transactions are properly recorded.

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

(C) Preparation of Full Disclosure Financial Statements

Condition – During our audit, we noted that the internal control system does not include a process for preparing an annual financial statements and the related disclosures in accordance with GAAP.

Cause – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft of the financial statements, including the related footnote disclosures. The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost.

Criteria – Management is responsible for establishing and maintaining internal controls and for the fair presentation of financial statements, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

Effect – Although the auditors are preparing the financial statements and the related footnotes, the Commission thoroughly reviews them and accepts responsibility for their completeness and accuracy.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2012

Internal Control Deficiencies: (Continued)

(C) Preparation of Full Disclosure Financial Statements (Continued)

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 aspects of external financial reporting, rather than rely on external assistance.

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

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.
- (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 – No instances of non-compliance with the Solid Waste fees used in accordance with Chapter 455B.310 of the Code of Iowa were noted.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION
West Union, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2012

Other Findings Related to Required Statutory Reporting: (Continued)

- (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:

	Post-closure	Transfer Station
Total Estimated Cost for Closure and Post Closure Care	\$1,678,875	\$41,900
Less: Balance of Funds Held in the Local Dedicated Fund at June 30, 2011	1,961,960	43,041
Required Payment/Over Funded Amount in the Local Dedicated Fund for the Year Ended June 30, 2012	\$ (283,085)	\$ (1,141)
Balance of Funds Held in the Local Dedicated Fund at June 30, 2011	\$1,961,960	\$43,041
Required Balance of Funds to be Held in the Local Dedicated Balance Fund at June 30, 2012	\$1,678,875	\$41,900
Amount Commission has Restricted for Closure and Post-closure Care at June 30, 2012	\$1,986,947	\$43,627