



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ November 25, 2002

Contact: Andy Nielsen  
515/281-5515

Auditor of State Richard Johnson today released an audit report on the Fremont County Landfill Commission.

The Commission had total operating revenues of \$381,568 for the year ended June 30, 2002, which included gate fees of \$254,044 and county and city assessments of \$78,151.

Operating expenses totaled \$269,403 for the year ended June 30, 2002, which included \$57,860 for employee salaries and benefits, \$26,266 for long range planning and engineering, and recognition of \$28,474 in closure and postclosure care costs.

This report contains recommendations to the Commission. For example, the Commission should improve internal controls for weaknesses identified, obtain surety bond coverage and demonstrate financial assurance by designating sufficient funds to cover closure and postclosure care costs. The Commission responded favorably to the recommendations.

A copy of the audit report is available for review in the office of the Auditor of State and the Fremont County Landfill Commission.

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**FREMONT COUNTY LANDFILL COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS**

**JUNE 30, 2002**

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## **Fremont County Landfill Commission**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ross Silcock	Chairperson	City of Tabor
Rodney Umphreys	Member	City of Thurman
Terry Holliman	Member	City of Hamburg
Robert Randolph	Member	City of Riverton
Tom Shull	Member	City of Farragut
Mike Nenneman	Member	City of Sidney
Gary Farwell	Member	City of Randolph
Angela Pelster	Member	City of Imogene
John Whipple	Member	Board of Supervisors
Dave Detrick	Member	City of Riverton (alternate)
Michael Fox	Manager	
Bonnie Ward	Scale Operator	

**Fremont County Landfill Commission**



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**Independent Auditor's Report**

To the Members of the Fremont County Landfill Commission:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of the Fremont County Landfill Commission as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fremont County Landfill Commission at June 30, 2002 and the results of its operations 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 21, 2002 on our consideration of Fremont County Landfill Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 21, 2002

**Fremont County Landfill Commission**



Fremont County Landfill Commission

Balance Sheet

June 30, 2002

**Assets**

Current assets:	
Cash	\$ 132,494
Receivables:	
Accounts receivable	29,057
Accrued interest	245
Due from other governments	4,708
Prepaid insurance	2,021
Total current assets	<u>168,525</u>
Restricted assets:	
Cash	15,630
Certificates of deposit	54,977
Total restricted assets	<u>70,607</u>
Property and equipment, net (note 4)	<u>294,337</u>
<b>Total assets</b>	<b><u>\$ 533,469</u></b>

**Liabilities and Fund Equity**

Current liabilities:	
Accounts payable	\$ 4,235
Salaries and benefits payable	2,138
Capital lease (note 5)	27,912
Compensated absences	593
Due to other governments	5,292
Total current liabilities	<u>40,170</u>
Non-current liabilities:	
Capital lease (note 5)	161,254
Estimated liability for landfill closure and postclosure care costs (note 6)	326,668
Total non-current liabilities	<u>487,922</u>
Total liabilities	<u>528,092</u>
Fund equity:	
Retained earnings:	
Reserved for:	
Recycling	10,398
Closure and postclosure care (note 6)	60,209
Unreserved	(65,230)
Total fund equity	<u>5,377</u>
<b>Total liabilities and fund equity</b>	<b><u>\$ 533,469</u></b>

See notes to financial statements.

**Exhibit B**

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## Fremont County Landfill Commission

Statement of Revenues, Expenses and  
Changes in Retained Earnings

Year ended June 30, 2002

Operating revenues:	
Gate fees	\$ 254,044
County and city assessments	78,151
Other operating revenues	3,186
Total operating revenues	<u>335,381</u>
Operating expenses:	
Salaries and benefits	57,860
Machinery maintenance, labor and parts	13,446
Oil and gas	5,117
Long range planning and engineering	26,266
Site maintenance	21,317
Site utilities	5,821
Office expenses	1,019
Training and travel	838
Legal and accounting	4,558
Insurance	2,489
Closure and postclosure costs	28,474
Recycling	1,251
Iowa Department of Natural Resources tonnage fees	17,764
Depreciation	73,433
Sales tax	5,131
Miscellaneous	4,619
Total operating expenses	<u>269,403</u>
Operating income	<u>65,978</u>
Non-operating revenues (expenses):	
Interest income	4,020
Interest expense	(4,002)
Gain on disposition of equipment	42,167
Total non-operating revenues	<u>42,185</u>
Net income	<u>108,163</u>
Retained earnings beginning of year	<u>(102,786)</u>
Retained earnings end of year	<u>\$ 5,377</u>

See notes to financial statements.

## Fremont County Landfill Commission

## Statement of Cash Flows

Year ended June 30, 2002

Cash flows from operating activities:	
Cash received from gate fees	\$ 258,253
Cash received from assessments	73,443
Cash received from other operating receipts	3,186
Cash payments to suppliers for goods and services	(114,166)
Cash payments to employees for services	(55,659)
Net cash provided by operating activities	<u>165,057</u>
Cash flows from capital and related financing activities:	
Principal payments on capital lease	(59,425)
Interest payments on capital lease	(4,002)
Purchase of property and equipment	(47,604)
Proceeds from sale of equipment	42,167
Net cash used for capital and related financing activities	<u>(68,864)</u>
Cash flows from investing activities:	
Interest received	<u>4,187</u>
Net increase in cash and cash equivalents	100,380
Cash and cash equivalents at beginning of year	<u>47,744</u>
Cash and cash equivalents at end of year	<u>\$ 148,124</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 65,978</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	73,433
Closure and postclosure costs	28,474
Changes in assets and liabilities:	
(Increase) in receivables	(2,951)
(Increase) in prepaid insurance	(2,021)
Increase in payables	2,144
Total adjustments	<u>99,079</u>
Net cash provided by operating activities	<u>\$ 165,057</u>

## Non-cash investing, capital and financial activities:

During the year ended June 30, 2002, equipment costing \$189,166 was acquired through a lease purchase agreement.

See notes to financial statements.

Fremont County Landfill Commission

Notes to Financial Statements

June 30, 2002

**(1) Summary of Significant Accounting Policies**

The Fremont County Landfill Commission was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to provide for the control, collection and disposal of all solid waste produced or generated within each unit of government which is a member of the Commission.

The Commission is composed of one representative from each of the eight member cities and one representative from Fremont County. The member cities are: Thurman, Tabor, Hamburg, Riverton, Farragut, Sidney, Randolph, and Imogene. The representative of a city is appointed by the political subdivision to be represented.

A. Reporting Entity

For financial reporting purposes, the Fremont County Landfill Commission has included all funds, organizations, account groups, 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. The Fremont County Landfill Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Fund Accounting

The accounts of the Fremont County Landfill Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus

Enterprise Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheet. The reported fund equity, net total assets, is reported as retained earnings. The operating statement presents increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its enterprise fund, 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with standards set forth by the Governmental Accounting Standards Board. Revenues are recognized when they are earned and expenses are recognized or recorded when they are incurred.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash Equivalents - The Commission considers all short-term cash investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash equivalents of the Commission include money market accounts. Cash investments not meeting the definition of cash equivalents at June 30, 2002 included certificates of deposit of \$54,977.

Restricted Assets - Certain certificates of deposits and money market accounts are classified as restricted assets since the Commission has identified and limited their use only for recycling and future closure and postclosure care costs.

Property and Equipment - Property and equipment are accounted for at historical cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over an estimated useful life of twenty years and equipment is depreciated over an estimated useful life of five to seven years.

The cost of repairs 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.

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, 2002.

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation, sick leave and comp time hours for subsequent use or for payment upon termination, death or retirement. The Commission's compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

**(2) Cash and Investments**

The Commission's deposits in banks at June 30, 2002 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.

At June 30, 2002, the Commission had cash on hand of \$150 and deposits as follows:

Certificates of deposit	\$ 54,977
Checking account	61,664
Savings accounts	<u>86,310</u>
Total	<u>\$ 202,951</u>

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

**(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 which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the year ended June 30, 2002 was \$2,678, equal to the required contributions for the year.

**(4) Property and Equipment**

A summary of property and equipment at June 30, 2002 is as follows:

<u>Category</u>	<u>Amount</u>
Land and improvements	\$ 2,700
Buildings	34,388
Equipment	<u>540,554</u>
Total	577,642
Less accumulated depreciation	<u>(283,305)</u>
Total	<u>\$ 294,337</u>

Equipment costing \$281,166 was purchased under a capital lease agreement. Accumulated depreciation on this equipment totals \$30,125, all of which is attributable to the fiscal year ended June 30, 2002

**(5) Capital Lease**

The Commission entered into a capital lease agreement on November 1, 2001 to lease a John Deere scraper. The agreement is for a period of 6 years at an interest rate of 4.75%, and expires in fiscal year 2008. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Present</u> <u>Value of Net</u> <u>Minimum</u> <u>Lease</u> <u>Payments</u>	<u>Amount</u> <u>Representing</u> <u>Interest</u>	<u>Total</u> <u>Minimum</u> <u>Lease</u> <u>Payments</u>
2003	\$ 27,912	9,184	37,096
2004	29,268	7,828	37,096
2005	30,688	6,408	37,096
2006	32,178	4,918	37,096
2007	33,741	3,355	37,096
2008	35,379	1,717	37,096
Total	<u>\$ 189,166</u>	<u>33,410</u>	<u>222,576</u>

There were no payments made under this agreement for the year ended June 30, 2002.

Payments of \$35,041 and \$28,386 were made under two other lease agreements with terms that ended September 2, 2001 and December 15, 2001, respectively.

**(6) Closure and Postclosure Care Cost**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirements is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the

right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board (GASB) Statement Number 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Fremont County Landfill Commission have been estimated at \$327,264 for closure and \$488,610 for postclosure. The portion of the liability that has been recognized is \$326,668. This liability represents the cumulative amount reported to date based on the use of approximately 40 percent of the capacity of the landfill with a remaining life of 22 years. A provision for the above liability has been made on the Commission's balance sheet as of June 30, 2002.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. Effective July 1, 2002, Chapter 567-111.8(8) of the Iowa Administrative Code (IAC) requires annual deposits to these closure and postclosure accounts determined by the following formula:

$$\frac{CE-CB}{RPC} \times TR = \text{yearly deposit to account}$$

CE = current cost estimate of closure and postclosure costs

CB = current balance of the closure and postclosure accounts

RPC = remaining permitted capacity, in tons, of the landfill as of the start of the permit holder's first fiscal year

TR = the number of tons of solid waste disposed of at the facility in the prior year

The Commission has established a closure/postclosure account to begin to accumulate resources to fund these costs and at June 30, 2002, deposits of \$60,209 were held for these purposes. They are reported as restricted assets and reserved retained earnings on the balance sheet. The deposits for the fiscal year ended June 30, 2002 were not calculated using the above formula, since the formula is not effective until July 1, 2002.

Also, pursuant to Chapter 567-111.3(3) of the IAC, since the estimated closure and postclosure costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. As of June 30, 2002 financial assurance is demonstrated only through the Dedicated Fund Mechanism and is not fully funded. Effective September 24, 2002, the Commission has adopted the Local Government Guaranty mechanism to demonstrate financial assurance for the unfunded costs.



**(7) Solid Waste Tonnage Fees Retained**

Chapter 455B.310 of the Code of Iowa establishes a tonnage fee of four dollars and twenty-five cents per ton of solid waste. The Sanitary landfill operator shall retain ninety-five cents of the tonnage fee to be used as described in the following paragraph and can retain an additional twenty-five cents of the tonnage fee as described below if an updated comprehensive plan has been approved for the Commission. The remainder of the tonnage fee is remitted to the Iowa Department of Natural Resources on a quarterly basis

Tonnage fees have been retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure care plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. Forty-five cents per ton of the tonnage fee shall be disbursed to a city, county, or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Commission's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities.

An updated comprehensive plan was approved by the Iowa Department of Natural Resources allowing the Commission to retain an additional twenty-five cents per ton of the tonnage fee. The twenty-five cents per ton of the tonnage fee shall be used for waste reduction, recycling, or small business pollution prevention purposes.

As of June 30, 2002, unspent amounts retained by the Commission for the required purposes included \$10,398 for recycling.

**(8) Deficit Retained Earnings**

The Fremont County Landfill Commission had deficit unreserved retained earnings at June 30, 2002.

**(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 fiscal year. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

**Fremont County Landfill Commission**



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Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Members of the Fremont County Landfill Commission:

We have audited the general purpose financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2002, and have issued our report thereon dated October 21, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Fremont County Landfill Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are addressed in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Instances of non-compliance are described in the accompanying Schedule of Findings.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fremont County Landfill Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fremont County Landfill Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information of the members and customers of the Fremont County Landfill 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 Fremont County Landfill 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.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 21, 2002

Fremont County Landfill Commission

Schedule of Findings

Year Ended June 30, 2002

**Findings Related to the General Purpose Financial Statements:**

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees and those providing financial services to prevent an individual from handling duties which are incompatible. The Landfill Commission utilizes Sidney Tax and Accounting to process financial transactions. One person at Sidney Tax and Accounting has control over each of the following areas for the Landfill Commission:

- (1) Cash - handling, recording and reconciling.
- (2) Investments - Authorization, transfers, recording, reconciling and verifying earnings.
- (3) Receipts - mail opening, collecting, depositing, journalizing, posting and maintaining accounts receivable.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Landfill Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The Landfill Commission and accountants for the Landfill Commission will date and sign all accounts payables and the Landfill Commission board will sign and authorize all payables before they are paid. Sidney Tax and Accounting will have one person do all bank transactions including deposits and will have a different person reconcile all bank accounts. The Landfill Commission will pass a resolution for the investment policies of the landfill and will authorize each and every transfer and purpose.

Conclusion - Response accepted.

- (B) Receipts - Receipts were not issued for collections and checks were not restrictively endorsed immediately upon receipt. Also, two of the fifteen receipts tested were not deposited timely.

Recommendation - Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. Also, checks should be restrictively endorsed (for deposit only) upon receipt and receipts should be deposited timely to decrease the chance of misplacement of funds.

Response - Sidney Tax and Accounting will create a receipt log book for monies received for the Landfill. This logbook will include whom, date received, check number, and amount. This will be done on a daily basis. All receipts will be

Fremont County Landfill Commission

Schedule of Findings

Year Ended June 30, 2002

deposited within 5 working days of receipt. The Landfill Commission will also purchase a "For Deposit Only" stamp and this will be used daily.

Conclusion - Response accepted.

- (C) Fixed Assets Records - A total amount for fixed assets was available, but detail records were not maintained. Upon request, a listing was obtained, but the record was not complete. For two items on the listing, values included estimates for which no supporting documentation was maintained. Also, the Landfill Commission has not adopted a policy to establish the amount to capitalize for fixed asset reporting and depreciation. In addition, identifying information is not promptly placed on the assets when received.

Recommendation - A complete record of fixed assets should be maintained and updated to facilitate the proper insurance, maintenance and safeguarding of these assets. An inventory of all property and equipment should be taken at least once each year and compared to the fixed assets records. Also, identifying information should be promptly placed on the assets when received.

Response - All assets will be properly tracked and the Landfill Commission will adopt a policy to establish amount for fixed assets reporting. Proper depreciation will be recorded monthly.

Conclusion - Response accepted.

- (D) Disbursements - For five of seventeen disbursements tested, invoices were not properly marked "paid" (cancelled) to prevent duplicate payment of the invoices. Also, for three of seventeen disbursements tested, invoices were not located. Also, one voided check was not retained.

Recommendation - All paid invoices should be marked or stamped paid with the date of payment to aid in preventing duplicate payment. All invoices should be approved by the Landfill Commission and such approval should be documented. The Landfill Commission should ensure that claims are sufficiently itemized and that the proper documentation accompanies all claims before they are paid. In addition, all voided checks should be retained to provide accountability.

Response - All invoices will be marked paid and dated. No monies will be disbursed without an invoice. Voided checks will be kept so that they may be tracked.

Conclusion - Response accepted.

- (E) Time Cards - Formal time cards were not maintained for all Landfill Commission employees. Those that were available were not approved and initialed by the employee's supervisor. Also, for one of five payroll transactions tested, the hours worked per the time card did not agree with the actual hours paid.

Fremont County Landfill Commission

Schedule of Findings

Year Ended June 30, 2002

Recommendation - Time cards should be available for all Landfill Commission employees. Time cards should be approved and initialed by the employee's supervisor or by an independent official who is not involved with payroll. Also, controls should be placed in operation to ensure that employees are being paid for actual hours worked.

Response - Since the change of accountants at Sidney Tax and Accounting, we are now receiving time cards for all employees. We will ensure that both the employee and manager sign the time cards verifying the hours worked. All time cards will show actual hours worked by rate of pay which will be used by Sidney Tax and Accounting to process payroll.

Conclusion - Response accepted.

Fremont County Landfill Commission

Schedule of Findings

Year Ended June 30, 2002

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories was not located.

Recommendation – The Landfill Commission should approve amounts sufficient to cover anticipated balances at all approved depositories in accordance with Chapter 12C.2 of the Code of Iowa.

Response – This is scheduled for the November 12<sup>th</sup> Landfill Commission meeting.

Conclusion – Response accepted.

- (2) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

- (4) Commission Minutes – Expense transactions are not approved in the Landfill Commission minutes.

Recommendation – All invoices should be approved for payment by the Landfill Commission prior to payment and such approval should be documented.

Response – All invoices will be approved by the Landfill Commission before paying.

Conclusion – Response accepted.

- (5) Deposits and Investments – The Landfill Commission has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Landfill Commission should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The Landfill Commission will adopt an investment policy per the Code of Iowa.

Conclusion – Response accepted.

- (6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2002, the Landfill Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.



Fremont County Landfill Commission

Schedule of Findings

Year Ended June 30, 2002

- (7) Financial Assurance - The Landfill Commission has established a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 815,874
Less: Balance of funds held in the local dedicated fund at June 30, 2001	<u>(46,270)</u>
	769,604
Divided by the number of years remaining in the pay-in period	<u>÷ 10</u>
Required payment into the local dedicated fund for the year ended June 30, 2002	\$ 76,960
Balance of funds held in the local dedicated fund at June 30, 2001	<u>46,270</u>
Required balance of funds held in the local dedicated fund at June 30, 2002	<u>\$ 123,230</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2002	<u>\$ 60,209</u>

Recommendation - The Landfill Commission should demonstrate financial assurance by designating amounts sufficient to comply with the Iowa Administrative Code requirements.

Response - Fremont County Landfill Commission will meet financial assurance by designating amounts sufficient to comply with Iowa Code. We will do this by using Financial Accounting Instrument (FAI) "Local Government Guarantee". This will allow us to spread the designated amounts over the 22.1 year life of the Landfill. We cannot obtain this FAI until we get an audit report from the State Auditor's Office. We are now achieving this audit. When the audit is completed then we can send in information that will set in place our FAI - Local Government Guarantee.

Conclusion - Response accepted.

- (8) Closure/Postclosure Funds - The Landfill Commission maintains their closure/postclosure funds in co-mingled accounts.

Recommendation - Chapter 455B.306(8) of the Code of Iowa and the Iowa Administrative Code require that closure/postclosure funds be maintained in separate accounts.

Response - The Landfill Commission and Sidney Tax and Accounting will split the closure/postclosure funds according to the split in the annual Engineer's estimate of these costs.

Conclusion - Response accepted.

Fremont County Landfill Commission

Schedule of Findings

Year Ended June 30, 2002

- (9) Bond Coverage - Surety bond coverage of Landfill Commission officials and employees was not maintained for the year ended June 30, 2002. Chapter 64 of the Code of Iowa states that "all public offices, except as specifically provided, shall give bond."

Recommendation - The Landfill Commission should comply with the provisions contained in Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

Response - The Landfill Commission is obtaining a surety bond from our insurance agent. The amount will be sufficient to cover current assets (cash).

Conclusion - Response accepted.

- (10) Financial Condition - The Fremont County Landfill Commission had deficit unreserved retained earnings of \$65,230 at June 30, 2002.

Recommendation - The Landfill Commission should continue to investigate alternatives to eliminate this deficit in order to return to a sound financial condition.

Response - The Landfill Commission will continue to investigate alternatives to eliminate this deficit.

Conclusion - Response accepted.

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**Fremont County Landfill Commission**

**Staff**

**This audit was performed by:**

**Suzanne R. Hanft, CPA, Manager  
Jill M. Bergantzel, CPA, Staff Auditor**

**Andrew E. Nielsen, CPA  
Deputy Auditor of State**