OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE March 7, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Page County Landfill Association.

The Association had total revenues of $1,382,752 during the year ended June 30, 2012, a 7% increase over the prior year. Revenues included gate fees of $1,127,503 and recycling fees of $187,257. The significant increase in revenues is due primarily to increased gate fees.

Expenses totaled $717,435 for the year ended June 30, 2012, a 9% decrease from the prior year, and included $278,390 for depreciation and $252,846 for employee salaries and benefits. The significant decrease in expenses is due primarily to decreases in machinery maintenance and long range planning and engineering expenses.

A copy of the audit report is available for review at the Page County Landfill Association, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/1214-2310-B00F.pdf.

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PAGE COUNTY LANDFILL ASSOCIATION

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

JUNE 30, 2012

1214-2310-B00F

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Page County Landfill Association

Officials

Name	Title	Representing
Jeff McCall	Chairperson	City of Clarinda
Jon Herzberg	Vice-Chairperson	Page County
James Long	Member	City of Essex
Kim Gotschall	Member	City of Braddyville
Bob Carroll	Member	City of College Springs
Marie Miller	Member	City of Coin
Beverly Clinkingbeard	Member	City of Blanchard
Don Gibson	Member	City of Shenandoah
David Stalder	Member	City of Yorktown
Ron Peterman	Member	City of Shambaugh
Doyle Parmenter	Member	City of Northboro
Brian Rogers	Member	City of Hepburn
Myron Magwitz	Manager	
Keith Bischof	Office Secretary	

Page County Landfill Association

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Independent Auditor's Report

To the Members of the Page
County Landfill Association:

We have audited the accompanying financial statements of the Page County Landfill Association as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement 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 Page County Landfill Association at June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2013 on our consideration of the Page County Landfill Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 10 and 28 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 U.S. generally accepted auditing standards, 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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Page County Landfill Association 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 the Association's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Association's operating revenues increased 7%, or $86,918, from fiscal year 2011 to fiscal year 2012. The increase was primarily due to an increase in gate fees.
- The Association's operating expenses decreased 9%, or $69,416, from fiscal year 2011 to fiscal year 2012. The decrease is primarily due to decreases in machinery maintenance and long range planning and engineering expenses.
- The Association's net assets increased 49%, or $665,317, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The Page County Landfill Association is a 28E organization and presents its financial statements using the economic resources measurement focus and the 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 Page County Landfill Association'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 Association's financial activities.

The Statement of Net Assets presents information on the Association'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 Association 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 Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association'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 Association's cash and cash equivalents during the year. This information can assist users of the report in determining how the Association financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information presents the Schedule of Funding Progress for the Retiree Health Plan.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Association's financial position. The Association's net assets at the end of fiscal year 2012 totaled $2,018,832. This compares to $1,353,065 at the end of fiscal year 2011. A summary of the Association's net assets is presented below:

Net Assets			
		June 30,	
		2012	2011
Current assets	$	531,680	462,565
Restricted cash and investments		1,481,240	1,426,257
Capital assets at cost, less accumulated depreciation		2,185,034	1,937,268
Total assets		4,197,954	3,826,090
Current liabilities		323,441	296,346
Noncurrent liabilities		1,856,131	2,136,282
Total liabilities		2,179,572	2,432,628
Net assets:			
Invested in capital assets, net of related debt		1,181,108	849,865
Restricted		416,601	156,190
Unrestricted		420,673	347,010
Total net assets	$	2,018,382	1,353,065

Noncurrent liabilities decreased $280,151 from the prior year. Liabilities for outstanding debt decreased $117,421 due to current year principal payments and the landfill closure and postclosure care liability decreased $205,428 due to a change in the allocation of the postclosure care liability using capacity rather than acres. Current liabilities increased $27,095, mainly due to payables for capital lease purchase agreements. Capital assets, net of accumulated depreciation increased $247,766, due primarily to completing Phase II of the landfill expansion.

The portion of the Association's net assets which is restricted includes tonnage fees retained for purposes specified in the Code of Iowa and net assets restricted for landfill closure and postclosure care. Net assets invested in capital assets (e.g. land and improvements, buildings and equipment), net of related debt are resources allocated to capital assets. The remaining net assets are unrestricted net assets which can be used to meet the Association's obligations and needs as they come due. The unrestricted net assets increased $73,663 due to increases in revenue from gate fees.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are from gate fees for accepting solid waste and for recycling. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses include 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 revenues:			
Gate fees	$	1,127,503	1,052,168
Recycling		187,257	194,803
Other operating revenues		31,132	12,003
Total operating revenues		1,345,892	1,258,974
Operating expenses:			
Salaries and benefits		252,846	271,702
Machinery maintenance, labor and parts		49,109	79,147
Oil and gas		84,203	92,632
Long range planning and engineering		7,909	66,333
Site maintenance		17,985	6,754
Site utilities		10,932	8,058
Office supplies and operations		10,568	9,396
Training and travel		1,194	557
Legal and accounting		7,304	6,983
Insurance		29,622	31,907
Closure and postclosure care		(205,428)	(249,789)
Planning and recycling		62,043	50,729
Iowa Department of Natural Resources tonnage fees		32,102	30,483
Depreciation		278,390	300,948
Leachate treatment, collection and maintenance		21,486	23,841
Household hazardous waste		15,471	15,471
Total operating expenses		675,736	745,152
Operating income (loss)		670,156	513,822
Non-operating revenues (expenses):			
Interest income		17,337	20,335
Gain on disposition of equipment		19,523	12,608
Interest expense		(41,699)	(43,523)
Net non-operating revenues (expenses)		(4,839)	(10,580)
Change in net assets		665,317	503,242
Net assets beginning of year		1,353,065	849,823
Net assets end of year	$	2,018,382	1,353,065

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets at the end of the fiscal year. In fiscal year 2012, operating revenues increased $86,918, or 7%, as a result of an increase in gate fees. Operating expenses decreased $69,416, or 9%, due primarily to decreases in machinery maintenance and long range planning and engineering 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 flows from operating activities includes gate fees reduced by payments to employees and to suppliers. Cash flows from capital and related financing activities includes principal and interest payments on debt and the purchase of capital assets. Cash flows from investing activities includes interest received and the sale of investments.

CAPITAL ASSETS

At June 30, 2012, the Association had $4,149,268 invested in capital assets, net of accumulated depreciation of $1,964,234. The $247,766 increase in capital assets was the result of completing Phase II of the landfill expansion. Depreciation expense totaled $278,390 for fiscal year 2012. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2012, the Association had $1,003,926 of debt outstanding, a decrease of $83,477 from the prior year. The table below summarizes outstanding debt by type.

	June 30,	
	2012	2011
General obligation capital loan notes	$ 665,000	735,000
SWAP loan	116,875	183,660
Capital lease purchase agreements	222,051	168,743
Total	$1,003,926	1,087,403

Additional information about the Association's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Association officials. Some of the realities that may potentially become challenges for the Association to meet are:

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

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

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Page County Landfill Association, 2032 N Avenue, Clarinda, IA 51632-2298.

Basic Financial Statements

Page County Landfill Association

Statement of Net Assets

June 30, 2012

Assets	
Current assets:	
Cash	$ 383,476
Receivables:	
Accounts	119,736
Accrued interest	915
Due from other governments	24,493
Prepaid expense	3,060
Total current assets	531,680
Noncurrent assets:	
Restricted cash	5,165
Restricted cash equivalents and investments	1,476,075
Capital assets, net of accumulated depreciation	2,185,034
Total noncurrent assets	3,666,274
Total assets	4,197,954
Liabilities	
Current liabilities:	
Accounts payable	37,497
Accrued interest payable	2,256
Salaries and benefits payable	14,243
Compensated absences	39,506
Due to other governments	10,605
Current portion of:	
Notes payable	75,000
SWAP loan payable	66,786
Capital lease purchase agreements payable	77,548
Total current liabilities	323,441
Noncurrent liabilities:	
Notes payable	590,000
SWAP loan payable	50,089
Capital lease purchase agreements payable	144,503
Landfill closure and postclosure care	1,064,639
Net OPEB liability	6,900
Total noncurrent liabilities	1,856,131
Total liabilities	2,179,572
Net assets	
Invested in capital assets, net of related debt	1,181,108
Restricted for:	
Tonnage fees retained	5,165
Landfill closure and postclosure care	411,436
Unrestricted	420,673
Total net assets	$ 2,018,382

See notes to financial statements.

Page County Landfill Association

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2012

Operating revenues:	
Gate fees	$ 1,127,503
Recycling	187,257
Other operating revenues	31,132
Total operating revenues	1,345,892
Operating expenses:	
Salaries and benefits	252,846
Machinery maintenance, labor and parts	49,109
Oil and gas	84,203
Long range planning and engineering	7,909
Site maintenance	17,985
Site utilities	10,932
Office supplies and operations	10,568
Training and travel	1,194
Legal and accounting	7,304
Insurance	29,622
Closure and postclosure care	(205,428)
Planning and recycling	62,043
Iowa Department of Natural Resources tonnage fees	32,102
Depreciation	278,390
Leachate treatment, collection and maintenance	21,486
Household hazardous waste	15,471
Total operating expenses	675,736
Operating income	670,156
Non-operating revenues (expenses):	
Interest income	17,337
Gain on disposition of equipment	19,523
Interest expense	(41,699)
Net non-operating revenues (expenses)	(4,839)
Change in net assets	665,317
Net assets beginning of year	1,353,065
Net assets end of year	$ 2,018,382

See notes to financial statements.

Page County Landfill Association

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities:	
Cash received from gate fees	$ 1,126,756
Cash received from recycling and other operating receipts	218,389
Cash paid to suppliers for goods and services	(361,266)
Cash paid to employees for services	(258,140)
Net cash provided by operating activities	725,739
Cash flows from capital and related financing activities:	
Purchase of capital assets	(379,488)
Principal paid on general obligation capital loan notes	(70,000)
Interest paid on general obligation capital loan notes	(30,275)
Principal paid on SWAP loan	(66,785)
Interest paid on SWAP loan	(5,098)
Principal paid on capital lease purchase agreements	(59,692)
Interest paid on capital lease purchase agreements	(6,551)
Net cash used for capital and related financing activities	(617,889)
Cash flows from investing activities:	
Interest received	9,621
Net increase in cash and cash equivalents	117,471
Cash and cash equivalents beginning of year	882,986
Cash and cash equivalents end of year	$ 1,000,457
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 670,156
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	278,390
Closure and postclosure care	(205,428)
Changes in assets and liabilities:	
Increase in receivables	(747)
Decrease in prepaid expense	1,836
Increase in accounts payable	4,326
Increase in salaries and benefits payable	2,153
Decrease in compensated absences	(9,453)
Decrease in due to other governments	(17,795)
Increase in net OPEB liability	2,301
Total adjustments	55,583
Net cash provided by operating activities	$ 725,739

Page County Landfill Association

Statement of Cash Flows

Year ended June 30, 2012

Reconciliation of cash and cash equivalents at year end to specific assets included in the Statement of Net Assets:		
Current assets:		
Cash	$	383,476
Restricted assets:		
Cash		5,165
Cash equivalents and investments		1,476,075
		1,864,716
Less items not meeting the definition of cash equivalents		(864,259)
Cash and cash equivalents	$	1,000,457

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, a grader was acquired through a capital lease purchase agreement for $113,000, net of a $18,000 trade-in allowance. In addition, a crawler loader was traded with a $25,000 trade-in allowance for a new crawler loader.

See notes to financial statements.

Page County Landfill Association

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The Page County Landfill Association was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Association is to operate the sanitary landfill in Page County for use by all residents of the County.

The Association is composed of one representative from each of the eleven member cities and one representative from Page County. The member cities are: Clarinda, College Springs, Northboro, Coin, Yorktown, Shambaugh, Braddyville, Blanchard, Shenandoah, Essex and Hepburn. The representative of a city is appointed by the political subdivision to be represented. Each member shall be entitled to one vote for each 1,500 people, or fraction thereof, as determined by the most recent Federal Census.

The Association'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 Page County Landfill Association has included all funds, organizations, agencies, boards, commissions and authorities. The Association 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 Association are such that exclusion would cause the Association'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 Association 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 Association. The Page County Landfill Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is 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.

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 Association 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 Association 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 Association'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 Assets

The following accounting policies are followed in preparing the Statement of Net Assets.

Cash, Investments and Cash Equivalents – The Association 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, have a maturity date no longer than three months. Cash equivalents of the Association include money market accounts. Cash investments not meeting the definition of cash equivalents at June 30, 2012 include certificates of deposit of $864,259.

Restricted Cash and Investments – Funds set aside for payment of recycling and closure and postclosure care 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.

Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	$ 25,000
Equipment	500

Capital assets of the Association are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	10-20
Equipment	5-10

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.

Compensated Absences – Association employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. The Association's liability for compensated absences has been computed based on rates of pay in effect at June 30, 2012.

(2) Cash and Investments

The Association'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 Association 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 Association; 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.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Capital Assets

A summary of capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 307,147	-	-	307,147
Construction in progress	-	290,464	290,464	-
Total capital assets not being depreciated	307,147	290,464	290,464	307,147
Capital assets being depreciated:				
Land improvements	633,802	290,464	-	924,266
Buildings	676,333	-	-	676,333
Equipment	2,271,469	259,168	289,115	2,241,522
Total capital assets being depreciated	3,581,604	549,632	289,115	3,842,121
Less accumulated depreciation for:				
Land improvements	214,257	56,921	-	271,178
Buildings	193,749	32,442	-	226,191
Equipment	1,543,477	189,027	265,639	1,466,865
Total accumulated depreciation	1,951,483	278,390	265,639	1,964,234
Total capital assets being depreciated, net	1,630,121	271,242	23,476	1,877,887
Total capital assets, net	$ 1,937,268	561,706	313,940	2,185,034

Equipment costing $549,032 was purchased under capital lease purchase agreements. Accumulated depreciation on these assets totaled $179,368 at June 30, 2012.

(4) Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Capital Loan Notes	Solid Waste Alternative Program Loan	Capital Lease Purchase Agreements	Compen-stated Absenses	Net OPEB Liability	Total
Balance beginning of year	$ 735,000	183,660	168,743	48,959	4,599	1,140,961
Increases	-	-	113,000	19,805	2,301	135,106
Decreases	70,000	66,785	59,692	29,258	-	225,735
Balance end of year	$ 665,000	116,875	222,051	39,506	6,900	1,050,332
Due within one year	$ 75,000	66,786	77,548	39,506	-	258,840

General Obligation Capital Loan Notes

In January 2007, Page County entered into a loan agreement for the issuance of $995,000 of general obligation capital loan notes to pay costs of expanding and upgrading the Page County landfill. In a verbal agreement with the County, the Association agreed to repay the County for the notes, including interest, as the payments become due and payable by the County.

Annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2013	3.85%	$	75,000	27,080	102,080
2014	3.90		55,000	24,192	79,192
2015	3.95		60,000	22,048	82,048
2016	4.00		60,000	19,678	79,678
2017	4.05		60,000	17,277	77,277
2018-2022	4.10-4.25		355,000	45,832	400,832
Total		$	665,000	156,107	821,107

The Association paid $70,000 of principal and $30,275 of interest and bond registrar fees on the general obligation capital loan notes during the year ended June 30, 2012.

Solid Waste Alternative Program (SWAP) Loan

In May 2006, the Association entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of establishing a permanent processing facility for recyclables and expand the existing recycling collection programs. The agreement awarded up to $487,500 in the form of a forgivable loan of $20,000, a zero interest loan of $150,000 and a 3% interest loan of $317,500. The term of the loan is 84 months and requires 28 quarterly payments of $17,971, beginning April 15, 2007. At June 30, 2012, a total of $487,500 has been drawn on the loans, including $20,000 of the forgivable loan. There are no unmet conditions to be achieved for loan forgiveness.

Details of the Association's outstanding SWAP loan at June 30, 2012 are as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2013	0.00/3.00%	$	66,786	5,098	71,884
2014	0.00/3.00		50,088	3,824	53,912
Total		$	116,874	8,922	125,796

The Association paid $66,785 of principal and $5,098 of interest on the SWAP loan during the year ended June 30, 2012.

Capital Lease Purchase Agreements

On October 18, 2010, the Association entered into a capital lease purchase agreement to lease a used scraper and to refinance the capital lease entered into on October 20, 2009. The agreement is for a period of 4 years at an interest rate of 3.45% and expires in fiscal year 2015. As part of the agreement, the Association traded a tractor with an original purchase date of September 17, 2007.

On January 5, 2012, the Association entered into a capital lease purchase agreement to lease a used motor grader. The agreement is for a period of 5 years at an interest rate of 3.30% and expires in fiscal year 2016. As part of the agreement, the Association traded a motor grader with an original purchase date of December 9, 1997.

The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments for the agreements:

Year Ending June 30,	Scraper	Motor Grader	Total
2013	$ 53,662	30,194	83,856
2014	53,662	30,194	83,856
2015	17,888	30,194	48,082
2016	-	17,614	17,614
Total minimum lease payments	125,212	108,196	233,408
Less amount representing interest	(5,073)	(6,284)	(11,357)
Principal value of net minimum lease payments	$ 120,139	101,912	222,051

Payments under the agreements during the year ended June 30, 2012 totaled $66,243.

(5) Pension and Retirement Benefits

The Association 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 Association is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were $15,265, $13,362 and $12,175, respectively, equal to the required contribution for each year.

(6) Other Postemployment Benefits (OPEB)

<u>Plan Description</u> – The Association operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 4 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

<u>Funding Policy</u> – The contribution requirements of plan members are established and may be amended by the Association. The Association currently finances the benefit plan on a pay-as-you-go basis.

<u>Annual OPEB Cost and Net OPEB Obligation</u> – The Association's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Association, an amount determined using the alternate measurement method as permitted by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Association's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the Association's net OPEB obligation:

Annual required contribution	$ 2,297
Interest on net OPEB obligation	92
Adjustment to annual required contribution	(88)
Annual OPEB cost	2,301
Contributions made	-
Increase in net OPEB obligation	2,301
Net OPEB obligation beginning of year	4,599
Net OPEB obligation end of year	$ 6,900

For the year ended June 30, 2012, the Association did not contribute to the medical plan and there were no contributions from plan members eligible for benefits.

The Association's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are submitted as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 2,301	-	$ 6,900
2011	2,302	-	4,599
2010	2,297	-	2,297

Funded Status and Funding Progress – As of June 30, 2012, the actuarial accrued liability was $10,241, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $10,241. The covered payroll (annual payroll of active employees covered by the plan) was approximately $189,000 and the ratio of the UAAL to covered payroll was 5.42%. As of June 30, 2012, there were no trust fund assets.

The projection of future benefit payments for ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2010 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4% discount rate based on the Association's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, projected to 2010. Employees were assumed to retire at age 61 subject to the minimum age or service requirement eligibility.

Projected claim costs of the medical plan are $487 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Closure and Postclosure Care

To comply with federal and state regulations, the Association is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, 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 requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring 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 for changes due to inflation or deflation, technology or applicable laws or regulations.

These costs for the Association have been estimated at $0 and $1,120,734 for closure and postclosure care, respectively, for Cell A (old cell) and $622,120 and $231,876 for closure and postclosure care, respectively, for Cell B (new cell), for a total of $1,974,730 as of June 30, 2012, and the portion of the liability that has been recognized is $1,064,639. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The capacity used at June 30, 2012 is 100% of Cell A and 33% of Cell B.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Association has begun accumulating resources to fund these costs and, at June 30, 2012, assets of $1,476,075 are restricted for these purposes. They are reported as restricted investments in the Statement of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Association is required to demonstrate financial assurance for the unfunded costs. The Association has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Association must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment
CE = total required financial assurance
CB = current balance of the fund
Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Association to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Association is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(8) Solid Waste Tonnage Fees Retained

The Association has established an account for restricting and using solid waste tonnage fees retained by the Association in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2012, the unspent amounts retained by the Association and restricted for the required purposes totaled $5,165.

(9) Risk Management

The Association is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Association's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Association's contribution to the Pool for the year ended June 30, 2012 was $18,742.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Association does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the Association's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Association also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $50,000, respectively. The Association assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Page County Landfill Association

Required Supplementary Information

Page County Landfill Association

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jun 30, 2010	-	$ 10,241	10,241	0.00%	$ 191,000	5.36%
2011	Jun 30, 2010	-	10,241	10,241	0.00	193,000	5.31
2012	Jun 30, 2010	-	10,241	10,241	0.00	189,000	5.42

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

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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

To the Members of the Page
County Landfill Association:

We have audited the accompanying financial statements of the Page County Landfill Association as of and for the year ended June 30, 2012, and have issued our report thereon dated February 14, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Page County Landfill Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Page County Landfill Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Page County Landfill Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Page County Landfill Association'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 we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Page County Landfill Association's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (D) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Page County Landfill Association'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.

Comments involving statutory and other legal matters about the Association'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 Association. 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.

The Page County Landfill Association's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Association's responses, we did not audit the Page County Landfill Association'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 the Page County Landfill Association and other parties to whom the Association 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 Page County Landfill Association 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.

David A. Vaudt

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 14, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Association's financial statements. Customer billings, collections, deposits and posting to customer accounts are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Association should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing current staff, including Board Members, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – The Manager will initial all reports, AR, deposits and daily tickets to show all financial information has been double checked.

Conclusion – Response accepted.

(B) Reconciliation of Billings, Collections and Delinquent Accounts – Customer billings, collections and delinquent accounts were not reconciled each month.

Recommendation – Procedures should be established to reconcile customer billings, collections and delinquent accounts monthly. The Association should review the reconciliations and monitor delinquencies.

Response – We will reconcile the billings, collections and accounts receivable each month and will make the reconciliation available at monthly Board meetings.

Conclusion – Response accepted.

(C) Financial Reporting – The Association did not prepare a June 30, 2012 payable listing. Adjustments were subsequently made by the Association to properly include payables in the financial statements.

Recommendation – The Association should implement procedures to identify payables for inclusion in the Association's financial statements.

Response – A review will be done to identify goods and services received prior to June 30 but paid after June 30. We will identify the payables on the Quickbooks Transaction List by Vendor report.

Conclusion – Response accepted.

(D) Disbursements – Checks are countersigned in advance.

Recommendation – Checks should only be signed and countersigned when the completed check and appropriate supporting documentation are available for review. Prior to signing, the checks and supporting documentation should be reviewed for propriety.

Response – Checks and supporting documents are made available for approval before checks are written.

Conclusion – Response acknowledged. Prior to signing, the checks and supporting documentation should be reviewed for propriety.

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 25, 1979 were noted.

(2) Travel Expenses – No expenditures of Association money for travel expenses of spouses of Association officials or employees were noted.

(3) Association Minutes – No transactions were found that we believe should have been approved in the Association 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 and the Association's investment policy were noted.

(5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

(6) Financial Assurance – The Association is providing financial assurance for closure and postclosure care 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:

Total estimated costs for closure and postclosure care		$ 1,974,730
Less: Balance of funds held in the local dedicated fund at June 30, 2011		1,412,389
Funds to be provided		562,341
Divided by the number of years remaining in the pay-in period	÷	9
Required payment into the local dedicated fund for the year ended June 30, 20112		62,482
Balance of funds held in the local dedicated fund at June 30, 2011, net of closure costs expended in 2012		1,412,389
Required balance of funds to be held in the local dedicated fund at June 30, 2012		$ 1,474,871
Amount Association has restricted for closure and postclosure care at June 30, 2012		$ 1,476,075

The Association has demonstrated financial assurance for closure and postclosure care by designating sufficient amounts through the above financial assurance mechanism.

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Justin M. Scherrman, Staff Auditor
Emily K. Creighton, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State