OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE March 16, 2015

Auditor of State Mary Mosiman today released an audit report on the Fremont County Landfill Commission.

The Commission had total revenues of $501,437 for the year ended June 30, 2014, a 27.1% decrease from the prior year. The revenues included gate fees of $369,335 and county and city assessments of $125,753.

Expenses totaled $555,556 for the year ended June 30, 2014, a 4.6% decrease from the prior year, and included $134,228 for employee salaries and benefits, $146,994 for depreciation and $59,592 for equipment repair and supplies.

The decrease in revenue is primarily due to a decrease in gate fees. The decrease in expenses is primarily due to a decrease in closure and postclosure care.

A copy of the audit report is available for review at the Fremont County Landfill Commission, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/1414-2353-B00F.pdf.

# # #

FREMONT COUNTY LANDFILL COMMISSION

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

JUNE 30, 2014

Table of Contents

Fremont County Landfill Commission

Officials

Name	Title	Representing
Tom Shull	Chairperson	City of Farragut
Randy Hickey	Vice-Chairperson	Fremont County
Nicolette McCullough	Member	City of Thurman
Earl Hendrickson	Member	City of Hamburg
Rick Barton	Member	City of Riverton
Tyler Travis	Member	City of Sidney
Brian Hardy	Member	City of Randolph
Scott Richardson	Member	City of Tabor
Dusty VanRenan	Manager	
Bonnie Ward	Scale Operator	

Fremont County Landfill Commission

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Members of the Fremont
County Landfill Commission:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fremont County Landfill Commission as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 7 through 10 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2015 on our consideration of the Fremont County Landfill Commission'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 in considering the Fremont County Landfill Commission's internal control over financial reporting and compliance.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fremont County Landfill Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. As explained in Note 9, the Commission implemented Governmental Accounting Standards Board Statement No. 65, resulting in a restatement of net position and results of operations for fiscal year 2013. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 27%, or $180,358, from fiscal year 2013 to fiscal year 2014. Gate fees decreased $179,081, or 33%, while county and city assessments decreased $1,277. The decrease in gate fees resulted from flood related disposals in recent years.

- The Commission's operating expenses were 4%, or $22,187, less in fiscal year 2014 than in fiscal year 2013.

- The Commission's net position decreased 7%, or $54,119, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

The Fremont County Landfill Commission 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 Fremont County Landfill Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Commission 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 basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Position

The Commission implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities in fiscal year 2014. The statement requires recognition of bond issue costs previously reported as an asset as an expense.

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2014 totaled $758,651. This compares to $812,770 at the end of fiscal year 2013, as restated. A summary of the Commission's net position is presented below.

Net Position		
	June 30,	
	2014	2013 (as restated)
Current assets	$ 194,744	501,797
Restricted investments	529,751	490,339
Capital assets, net of accumulated depreciation	1,591,000	1,486,669
Total assets	2,315,495	2,478,805
Current liabilities	173,900	245,634
Noncurrent liabilities	1,382,944	1,420,401
Total liabilities	1,556,844	1,666,035
Net position		
Net investment in capital assets	843,458	737,013
Unrestricted	(84,807)	75,757
Total net assets	$ 758,651	812,770

The largest portion of the Commission's net position is net investment in capital assets (e.g., land, buildings and equipment). The unrestricted portion of the Commission's net position may be used to meet the Commission's obligations as they come due.

The Commission demonstrates financial assurance for closure and postclosure care costs by a combination of the local government guarantee and the local government dedicated fund mechanisms. See Note 6 for additional information.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 is presented below:

Changes in Net Position		
	Year ended June 30,	
	2014	2013 (as restated)
Operating revenues:		
Gate fees	$ 369,335	548,416
County and city assessments	125,753	127,030
Total operating revenues	495,088	675,446
Operating expenses:		
Salaries and benefits	134,228	137,340
Closure and postclosure care	4,353	51,334
Depreciation	146,994	156,276
Iowa Department of Natural Resources tonnage fees	13,392	6,217
Other operating expenses	223,169	193,156
Total operating expenses	522,136	544,323
Operating income	(27,048)	131,123
Non-operating revenues (expenses), net	(27,071)	(23,033)
Change in net position	(54,119)	108,090
Net position beginning of year, as restated	812,770	704,680
Net position end of year	$ 758,651	812,770

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position at the end of the fiscal year.

In fiscal year 2014, operating revenues decreased $180,358, or 27%, primarily due to a decrease in gate fees. Operating expenses decreased $22,187, or 4%, primarily due to lower closure and postclosure care costs.

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 and assessments reduced by payments to employees and to suppliers. Cash flows from capital and related financing activities includes loan payments and the purchase of capital assets. Cash flows from investing activities includes the purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2014, the Commission had $2,663,654 invested in capital assets, net of accumulated depreciation of $1,072,654. Depreciation charges totaled $146,994 for fiscal year 2014. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

On August 9, 2007, Fremont County issued $1,265,000 of general obligation solid waste disposal bonds and loaned the proceeds to the Commission. The Commission used the loan proceeds for the purpose of constructing improvements to the solid waste disposal facilities. The Commission entered into a written loan agreement with the County to reimburse the County for $1,265,000 plus interest. At June 30, 2014, the outstanding principal balance was $575,000.

In April 2010, the Commission entered into a capital lease purchase agreement of $157,782 for the acquisition of a scraper and tractor. At June 30, 2014, the outstanding principal balance was $72,166.

On January 27, 2014, the Commission entered into a note payable agreement for $93,000 with a local bank to partially pay the cost of the Phase 4S expansion. At June 30, 2014, the outstanding principal balance of the note was $83,864.

Additional information about the Commission's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The Fremont County Landfill Commission's financial position decreased during the current fiscal year, primarily due to lower gate fees. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

- Facilities and equipment at the Commission 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 Commission anticipates landfill operations in the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fremont County Landfill Commission, 2879 250th Street, Sidney, Iowa 51652-0335.

Basic Financial Statements

Fremont County Landfill Commission

Statement of Net Position

June 30, 2014

Assets	
Current assets:	
Cash and cash equivalents	$ 142,406
Receivables:	
Accounts	34,320
Accrued interest	1,325
Due from other governments	11,505
Prepaid insurance	5,188
Total current assets	194,744
Noncurrent assets:	
Restricted investments	529,751
Capital assets, net of accumulated depreciation	1,591,000
Total noncurrent assets	2,120,751
Total assets	2,315,495
Liabilities	
Current liabilities:	
Accounts payable:	
Trade	9,600
Construction	16,512
Sales tax payable	2,021
Accrued interest payable	2,054
Salaries and benefits payable	5,213
Due to other governments	4,025
Compensated absences	8,801
Current portion of long-term obligations:	
Loan payable	80,000
Capital lease purchase agreement payable	23,255
Note payable	22,419
Total current liabilities	173,900
Non-current liabilities:	
Non-current portion of long-term obligations:	
Loan payable	495,000
Capital lease purchase agreement payable	48,911
Note payable	61,445
Landfill closure and postclosure care	777,588
Total noncurrent liabilities	1,382,944
Total liabilities	1,556,844
Net Position	
Net investment in capital assets	843,458
Unrestricted	(84,807)
Total net position	$ 758,651

See notes to financial statements.

Fremont County Landfill Commission

Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2014

Operating revenues:	
Gate fees	$ 369,335
County and city assessments	125,753
Total operating revenues	495,088
Operating expenses:	
Salaries and benefits	134,228
Equipment repair and supplies	59,952
Fuel and oil	27,837
Insurance	12,080
Outside services	52,791
Accounting and legal fees	20,601
Iowa Department of Natural Resources tonnage fees	13,392
Utilities	11,034
Closure and postclosure care	4,353
Depreciation	146,994
Sales tax	5,943
Ground and leachate maintenance	8,821
Hazardous waste disposal	5,215
Miscellaneous	18,895
Total operating expenses	522,136
Operating loss	(27,048)
Non-operating revenues (expenses):	
Interest income	4,542
Miscellaneous	1,807
Interest expense	(33,420)
Net non-operating revenues (expenses)	(27,071)
Change in net position	(54,119)
Net position beginning of year, as restated	812,770
Net position end of year	$ 758,651

See notes to financial statements.

Fremont County Landfill Commission

Statement of Cash Flows

Year ended June 30, 2014

Cash flows from operating activities:	
Cash received from gate fees	$ 412,003
Cash received from assessments	125,610
Cash paid to suppliers for goods and services	(243,090)
Cash paid to employees for services	(143,564)
Net cash provided by operating activities	150,959
Cash flows from capital and related financing activities:	
Purchase of capital assets	(327,813)
Proceeds from note payable	93,000
Principal paid on loan from Fremont County	(80,000)
Principal paid on capital lease purchase agreement payable	(22,490)
Principal paid on note payable	(9,136)
Interest paid on loan from Fremont County	(27,949)
Interest paid on capital lease purchase agreement payable	(3,220)
Interest paid on note payable	(2,893)
Miscellaneous	1,807
Net cash used by capital and related financing activities	(378,694)
Cash flows from investing activities:	
Purchase of certificates of deposit	(39,412)
Interest received	3,217
Net cash used by investing activities	(36,195)
Increase in cash and cash equivalents	(263,930)
Cash and cash equivalents beginning of year	406,336
Cash and cash equivalents end of year	$ 142,406
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (27,048)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	146,994
Closure and postclosure care	4,353
Changes in assets and liabilities:	
Decrease in receivables	42,668
Decrease in due from other governments	(143)
Decrease in prepaid insurance	1,923
Decrease in accounts payable	(8,131)
Decrease in sales tax payable	(1,987)
Decrease in salaries and benefits payable	(1,267)
Decrease in due to other governments	117
Increase in compensated absenses	(6,520)
Total adjustments	178,007
Net cash provided by operating activities	$ 150,959

See notes to financial statements.

(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 seven member cities and one representative from Fremont County. The member cities are Thurman, Tabor, Hamburg, Riverton, Sidney, Randolph and Imogene. The representative of a City is appointed by the City to be represented.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Fremont County Landfill Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Fremont County Landfill Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is 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 Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Cash Equivalents and Investments – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2014 include certificates of deposit of $529,751.

Restricted Investments – Funds set aside for recycling and future payments for 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 Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of five years.

Asset Class	Amount
Buildings	$ 1,500
Equipment and vehicles	250 – 1,500
Infrastructure	1,500
Land improvements	1,500

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

Asset Class	Estimated Useful lives (In Years)
Buildings	20-40
Equipment and vehicles	5-10
Infrastructure	20
Land improvements	15

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, 2014.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and sick leave has been computed based on rates of pay in effect at June 30, 2014.

(2) Cash, Cash Equivalents and Investments

The Commission's deposits in banks at June 30, 2014 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.

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

(3) Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the Commission is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were $8,986, $9,081 and $7,375, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 67,071	-	-	67,071
Construction in progress	126,424	251,325	377,749	-
Total capital assets not being depreciated	193,495	251,325	377,749	67,071
Capital assets being depreciated:				
Buildings	246,514	-	-	246,514
Equipment and vehicles	739,097	-	-	739,097
Land improvements	1,195,390	377,749	-	1,573,139
Infrastructure	37,833	-	-	37,833
Total capital assets being depreciated	2,218,834	377,749	-	2,596,583
Less accumulated depreciation for:				
Buildings	70,508	8,259	-	78,767
Equipment and vehicles	430,667	57,150	-	487,817
Land improvements	407,933	79,693	-	487,626
Infrastructure	16,552	1,892	-	18,444
Total accumulated depreciation	925,660	146,994	-	1,072,654
Total capital assets being depreciated, net	1,293,174	230,755	-	1,523,929
Total capital assets, net	$1,486,669	482,080	377,749	1,591,000

Equipment costing $207,782 was purchased under a capital lease purchase agreement during the year ended June 30, 2010. Accumulated depreciation at June 30, 2014 and depreciation expense for the year ended June 30, 2014 on this equipment totals $88,307 and $20,778, respectively.

(5) Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Loan Payable	Capital Lease Purchase Agreement Payable	Note Payable	Compen-sated Absences	Total
Balance beginning of year	$ 655,000	94,656	-	15,321	764,977
Increases	-	-	93,000	5,274	98,274
Decreases	80,000	22,490	9,136	11,794	123,420
Balance end of year	$ 575,000	72,166	83,864	8,801	739,831
Due within one year	$ 80,000	23,255	22,419	8,801	134,475

Loan Payable

In August 2007, the Commission entered into a loan agreement for the issuance of $1,265,000 of general obligation bonds by Fremont County for the purpose of constructing improvements to the solid waste disposal facilities. In a written loan agreement with the County, the Commission agreed to repay the County for the bonds, including interest, as the payments come due and payable by the County.

Annual debt service requirements to maturity under the loan agreement are as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2015	4.13%	$	80,000	24,647	104,647
2016	4.25		65,000	21,348	86,348
2017	4.25		65,000	18,585	83,585
2018	4.25		65,000	15,823	80,823
2019	4.30		70,000	13,060	83,060
2020-2022	4.30-4.40		230,000	20,830	250,830
Total		$	575,000	114,293	689,293

Capital Lease Purchase Agreement Payable

In April 2010, the Commission entered into a capital lease purchase agreement for a John Deere scraper and tractor. The agreement is for a period of seven years at an interest rate of 3.35% per annum and matures in fiscal year 2017. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments.

Year Ending June 30,		Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2015	$	23,255	2,455	25,710
2016		24,046	1,664	25,710
2017		24,865	846	25,711
Total	$	72,166	4,965	77,131

Payments under this agreement for the year ended June 30, 2014 totaled $25,710.

Note Payable

In January 2014, the Commission entered into a $93,000 note agreement with a local bank for partial payment of the Phase 4S expansion. The agreement is for a period of four years at an interest rate of 3.25% per annum and matures in fiscal year 2018.

Annual debt service requirements to maturity under the note payable agreement are as follows:

Year Ending June 30,		Principal	Interest	Total
2015	$	22,419	2,427	24,846
2016		23,165	1,682	24,847
2017		23,944	903	24,847
2018		14,336	158	14,494
Total	$	83,864	5,170	89,034

(6) Closure and Postclosure Care

To comply with federal and state regulations, the Commission 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 Fremont County Landfill Commission have been estimated at $974,016 for closure and $676,487 for postclosure care, for a total of $1,650,503 as of June 30, 2014, and the portion of the liability that has been recognized is $777,588. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations. On October 1, 2007, the Vertical cell stopped accepting refuse and the Subtitle D cell was opened. The completion of Phase I and II added an anticipated life of 9 years and the anticipated addition of Phases III through V will provide an additional 14 years of life. During 2011, the Landfill completed work on Abutment A, which added an anticipated life of an additional 4 years. During 2014, the landfill completed work on Phase 4 expansion which added an anticipated life of an additional 7 years. The estimated remaining life of Phase I and II with the addition of Abutment A and Phase 4 expansion is 17 years.

Chapter 455B.306(8)(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 Commission has begun accumulating resources to fund these costs and, at June 30, 2014, assets of $529,751 are restricted for these purposes. They are included in restricted investments on the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(6) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission uses a combination of the local government guarantee and the local government dedicated fund financial assurance mechanisms.

Chapter 567-113.14(8) of the IAC allows the Commission 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 Commission 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.

(7) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2014, there are no unspent amounts retained by the Commission.

(8) Risk Management

The Commission 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 700 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 contributions.

The Commission's property and casualty contributions to the risk pool are recorded as expenses from its operating funds at the time of payment to the risk pool. The Commission's contributions to the pool for the year ended June 30, 2014 were $7,111.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location. Property risks exceeding $150,000 are reinsured through reinsurance and excess risk sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty, property loss or series of claims or losses exceeds the amount of risk sharing protection provided by the Commission's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, 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 casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with it's members is applied to determine the amount (if any) to be refunded to the withdrawing member.

(9) Accounting Change and Restatement

Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, was implemented for the year ending June 30, 2014. The statement requires recognition of certain items previously reported as an asset as an expense.

Beginning net position has been restated to recognize bond issuance costs from a prior period as an expense.

The effects of the accounting change are summarized as follows:

Net position June 30, 2013	$	832,155
GASB 65 adjustments:		
Bond issuance costs expensed		(19,385)
Net position July 1, 2013, as restated	$	812,770

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Fremont County Landfill

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 <u>Government Auditing Standards</u>

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Mary Mosiman, CPA
Auditor of State

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 Fremont
County Landfill Commission:

We have audited 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, the financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, and have issued our report thereon dated February 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fremont County Landfill Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fremont County Landfill Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fremont County Landfill Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 Fremont County Landfill Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in the Fremont County Landfill Commission's internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fremont County Landfill Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Fremont County Landfill Commission's Responses to the Finding

The Fremont County Landfill Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Fremont County Landfill Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2015

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2014

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Financial Reporting – During the audit, we identified material amounts of receivables, liabilities and capital assets not recorded in the Commission's financial statements. In addition, we identified sales tax revenue and expenses were not properly recorded in the financial statements. Adjustments were subsequently made by the Commission to properly record the amounts in the financial statements.

Recommendation – The Commission should review procedures for recording receivables, liabilities, capital assets, sales tax revenue and expenses in its financial statements.

Response – The Manager will go over the financial statements with the financial accountant to make sure all financial activity is included.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2014

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 Expense – No expenditures for travel expenses of spouses of Commission officials or employees were noted.

(3) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.

(4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission'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 Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund and through the local government guarantee mechanism, both as provided in Chapter 567-113.14(6) of the Iowa Administration Code (IAC). The local government guarantee mechanism is in place to assure those costs not covered by the dedicated fund mechanism. Financial assurance is demonstrated as follows:

	Closure / Postclosure Care
Total estimated costs for closure and postclosure care	$ 1,650,503
Less: Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2014 (dedicated fund mechanism)	529,751
Remaining costs to be assured through the local government guarantee	$ 1,120,752
Financial assurance through the local government guarantee	$ 1,160,164

Fremont County Landfill Commission

Staff

This audit was performed by:

Ernest H. Ruben Jr., CPA, Manager
Ramona E. F. Daly, Staff Auditor
Matthew C. Hickenbottom, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State