OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE December 7, 2006

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

The Association had total revenues of $688,905 during the year ended June 30, 2006, a 7.4% decrease from the prior year. Revenues included gate fees of $561,207, interest income of $61,097, gain on disposition of equipment of $37,544 and other operating revenue of $29,057.

Expenses totaled $715,903 for the year ended June 30, 2006, a 1.7% increase over the prior year, and included $151,416 for employee salaries and benefits, $134,430 for depreciation and $130,288 for planning and recycling.

A copy of the 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/reports.htm.

# # #

PAGE COUNTY LANDFILL ASSOCIATION

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

JUNE 30, 2006

Table of Contents

Page County Landfill Association

Officials

Name	Title	Representing
James Long	Chairperson	City of Essex
Jon Herzberg	Vice-Chairperson	Board of Supervisors
Bill McComb	Member	City of Clarinda
Kelvin Kirchner	Member	City of Braddyville
Bob Carroll	Member	City of College Springs
Karlette Thorton	Member	City of Coin
Joe Nelson	Member	City of Blanchard
Don Gibson	Member	City of Shenandoah
Brian Wolhoy	Member	City of Yorktown
Ron Peterman	Member	City of Shambaugh
Dave Nelson	Member	City of Northboro
Brian Rogers	Member	City of Hepburn
Myron Magwitz	Manager	
Jean Minor	Secretary	

Page County Landfill Association

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Members of the Page
County Landfill Association:

We have audited the accompanying basic financial statements of the Page County Landfill Association as of and for the year ended June 30, 2006, which collectively comprise the Association's basic financial statements listed in the table of contents. 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 basic 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, 2006, 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 September 21, 2006 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.

Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 21, 2006

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, 2006. We encourage readers to consider this information in conjunction with the Association's financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Association's operating revenues decreased 8.2%, or $52,448, from fiscal 2005 to 2006.
- The Association's operating expenses increased 1.3%, or $9,107, from fiscal 2005 to 2006.
- The Association's net non-operating revenues decreased 5.9%, or $5,830, from fiscal 2005 to 2006. This decrease was primarily due to the Landfill no longer receiving the state tire grant in fiscal year 2006, net of the gain on disposition of equipment during fiscal year 2006.
- The Association's net assets decreased 1.5%, or $26,998, from June 30, 2005 to June 30, 2006.

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.

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

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 2006 totaled $1,713,586. This compares to $1,740,584 at the end of fiscal 2005. A summary of the Association's net assets is presented below:

Net Assets		
	June 30,	
	2006	2005
Current assets	$ 381,984	545,973
Restricted cash and investments	1,496,842	1,371,345
Capital assets at cost, less accumulated depreciation	1,129,076	1,008,451
Total assets	3,007,902	2,925,769
Current liabilities	88,496	73,519
Noncurrent liabilities	1,205,820	1,111,666
Total liabilities	1,294,316	1,185,185
Net assets:		
Invested in capital assets, net of related debt	1,038,714	921,879
Restricted	339,123	310,195
Unrestricted	335,749	508,510
Total net assets	$ 1,713,586	1,740,584

The portion of the Association's net assets that is restricted will be used for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Association to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (e.g. land and improvements, buildings and equipment) are resources allocated to capital assets. The remaining net assets are the unrestricted net assets that can be used to meet the Association's obligations and needs as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are from gate fees for accepting solid waste. Operating expenses are expenses paid to operate the landfill. Non-operating revenues include interest income. 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, 2006 and 2005 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2006	2005
Operating revenues:		
Gate fees	$ 561,207	613,028
Other operating revenues	29,057	29,684
Total operating revenues	590,264	642,712
Operating expenses:		
Salaries and benefits	151,416	152,369
Machinery maintenance, labor and parts	41,493	47,842
Oil and gas	31,828	26,101
Long range planning and engineering	15,110	12,595
Site maintenance	5,415	21,322
Site utilities	7,440	6,940
Office supplies and operations	3,609	4,740
Training and travel	2,720	833
Legal and accounting	4,386	2,307
Insurance	26,652	24,314
Closure and postclosure care	96,569	137,392
Planning and recycling	130,288	82,812
Iowa Department of Natural Resources tonnage fees	23,956	19,529
Depreciation	134,430	117,446
Sales tax	3,238	4,257
Leachate treatment, collection and maintenance	27,870	24,215
Miscellaneous	3,774	16,073
Total operating expenses	710,194	701,087
Operating loss	(119,930)	(58,375)
Non-operating revenues (expenses):		
Interest income	61,097	36,016
State tire grant	-	65,570
Gain on disposition of equipment	37,544	-
Interest expense	(5,709)	(2,824)
Net non-operating revenues	92,932	98,762
Change in net assets	(26,998)	40,387
Net assets beginning of year	1,740,584	1,700,197
Net assets end of year	$ 1,713,586	1,740,584

The Statement of Revenues, Expenses and Changes in Net Assets reflects a decrease in net assets at the end of the fiscal year. In fiscal 2006, operating revenues decreased by $52,448, or 8.2%, a result of decreasing gate fees. Operating expenses increased by $9,107, not a substantial change over fiscal 2005.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees reduced by payments to employees and to suppliers. Cash used for capital and related financing activities includes the purchase of capital assets. Cash used for investing activities includes interest received, reduced by the purchase of certificates of deposit.

CAPITAL ASSETS

At June 30, 2006, the Association had $1,129,076 invested in capital assets, net of accumulated depreciation of $799,651. The $309,246 increase in capital assets was primarily the result of a loader costing $219,115 acquired through a capital lease purchase agreement. Depreciation expense totaled $134,430 for fiscal 2006. More detailed information about the Association's capital assets is presented in Note 4 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2006, the Association had $90,362 in debt outstanding. This is due to the capital lease purchase of the loader mentioned above. More detailed information about the Association's long-term debt is presented in Note 5 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 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 Iowa Department of Natural Resources' decision on EPA Subtitle D liner requirements.

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, taxpayers, 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.

Page County Landfill Association

Basic Financial Statements

Page County Landfill Association

Page County Landfill Association

Statement of Net Assets

June 30, 2006

Assets	
Current assets:	
Cash	$ 69,148
Investments	146,223
Receivables:	
Accounts	29,384
Accrued interest	17,809
Due from other governments	20,037
Prepaid assets	99,383
Total current assets	381,984
Noncurrent assets:	
Restricted cash	3,885
Restricted investments	1,492,957
Capital assets, net of accumulated depreciation	1,129,076
Total noncurrent assets	2,625,918
Total assets	3,007,902
Liabilities	
Current liabilities:	
Accounts payable	15,198
Salaries and benefits payable	6,071
Compensated absences	16,146
Due to other governments	8,820
Current portion of capital lease payable	42,261
Total current liabilities	88,496
Noncurrent liabilities:	
Capital lease payable	48,101
Closure and postclosure care	1,157,719
Total noncurrent liabilities	1,205,820
Total liabilities	1,294,316
Net assets	
Invested in capital assets, net of related debt	1,038,714
Restricted for:	
Tonnage fees retained	3,885
Closure and postclosure care	335,238
Unrestricted	335,749
Total net assets	$ 1,713,586

See notes to financial statements.

Page County Landfill Association

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2006

Operating revenues:	
Gate fees	$ 561,207
Other operating revenues	29,057
Total operating revenues	590,264
Operating expenses:	
Salaries and benefits	151,416
Machinery maintenance, labor and parts	41,493
Oil and gas	31,828
Long range planning and engineering	15,110
Site maintenance	5,415
Site utilities	7,440
Office supplies and operations	3,609
Training and travel	2,720
Legal and accounting	4,386
Insurance	26,652
Closure and postclosure care	96,569
Planning and recycling	130,288
Iowa Department of Natural Resources tonnage fees	23,956
Depreciation	134,430
Sales tax	3,238
Leachate treatment, collection and maintenance	27,870
Miscellaneous	3,774
Total operating expenses	710,194
Operating loss	(119,930)
Non-operating revenues (expenses):	
Interest income	61,097
Gain on disposition of equipment	37,544
Interest expense	(5,709)
Net non-operating revenues	92,932
Change in net assets	(26,998)
Net assets beginning of year	1,740,584
Net assets end of year	$ 1,713,586

See notes to financial statements.

Page County Landfill Association

Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Cash received from gate fees	$ 583,911
Cash received from other operating receipts	29,057
Cash paid to suppliers for goods and services	(415,828)
Cash paid to employees for services	(149,482)
Net cash provided by operating activities	47,658
Cash flows from capital and related financing activities:	
Purchase of capital assets	(90,131)
Principal paid on capital lease	(123,590)
Interest paid on capital lease	(5,709)
Net cash used for capital and related financing activities	(219,430)
Cash flows from investing activities:	
Purchase of certificates of deposit	(112,173)
Interest received	49,515
Net cash used for investing activities	(62,658)
Net decrease in cash and cash equivalents	(234,430)
Cash and cash equivalents beginning of year	307,463
Cash and cash equivalents end of year (includes restricted cash of $3,885)	$ 73,033
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (119,930)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	134,430
Closure and postclosure care	96,569
Changes in assets and liabilities:	
Decrease in receivables	22,704
Increase in prepaid assets	(94,887)
Increase in accounts payable	5,287
Increase in salaries and benefits payable	569
Increase in compensated absences	1,365
Increase in due to other governments	1,551
Total adjustments	167,588
Net cash provided by operating activities	$ 47,658

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, a loader costing $219,115 was acquired through a capital lease purchase agreement.

See notes to financial statements.

(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 general 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 utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

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 an Association's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus

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.

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, 2006 include certificates of deposit of $1,639,180.

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	10-15
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, 2006.

Compensated Absences – Association employees accumulate a limited amount of earned but unused vacation, sick leave and comp time hours for subsequent use or for payment upon termination, death or retirement. The Association's liability for compensated absences has been computed based on rates of pay in effect at June 30, 2006.

(2) Cash and Investments

The Association's deposits in banks at June 30, 2006 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 the 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.

At June 30, 2006, the Association had cash on hand of $100 and deposits as follows:

Certificates of deposit	$ 1,639,180
Checking account	1,127
Savings accounts	71,806
Total	$ 1,712,113

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

Plan members are required to contribute 3.70% of their annual covered salary and the Association is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were $6,364, $6,177 and $6,406, respectively, equal to the required contribution for each year.

(4) Capital Assets

A summary of capital assets at June 30, 2006 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	272,527	28,891	-	301,418
Total capital assets not being depreciated	579,674	28,891	-	608,565
Capital assets being depreciated:				
Land improvements	69,439	-	-	69,439
Buildings	90,089	-	-	90,089
Equipment	1,087,192	280,355	206,913	1,160,634
Total capital assets being depreciated	1,246,720	280,355	206,913	1,320,162
Less accumulated depreciation for:				
Land improvements	58,454	1,985	-	60,439
Buildings	61,266	3,819	-	65,085
Equipment	698,223	128,626	152,722	674,127
Total accumulated depreciation	817,943	134,430	152,722	799,651
Total capital assets being depreciated, net	428,777	145,925	54,191	520,511
Total capital assets, net	$ 1,008,451	174,816	54,191	1,129,076

Equipment costing $219,115 was purchased under a capital lease purchase agreement. Accumulated depreciation on this asset totaled $31,302 at June 30, 2006.

(5) Capital Lease Purchase Agreement

On July 13, 2005, the Association entered into a capital lease purchase agreement to lease a John Deere Crawler Loader. The agreement is for a period of 3 years at an interest rate of 4.745% and expires in fiscal year 2009. 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
2007	$ 42,261	3,380	45,641
2008	44,313	1,328	45,641
2009	3,788	15	3,803
Total	$ 90,362	4,723	95,085

Payments under this agreement and an agreement paid off in the year ended June 30, 2006 totaled $132,926.

(6) 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 plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year 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 costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Page County Landfill Association have been estimated at $556,403 for closure and $1,029,510 for postclosure care, for a total of $1,585,913 as of June 30, 2006, and the portion of the liability that has been recognized is $1,157,719. This liability represents the cumulative amount reported to date based on the use of approximately 73 percent of the capacity of the landfill with a remaining life of 6 years. A provision for the above liability has been made on the Association's Statement of Net Assets as of June 30, 2006. The Association has begun to accumulate resources to fund these costs and, at June 30, 2006, deposits of $1,492,957 are held for these purposes. They are reported as restricted assets on the Statement of Net Assets.

(7) 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, 2006, the unspent amounts retained by the Association and restricted for the required purposes totaled $3,885.

(8) Risk Management

The Association is a member in 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 509 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 300 percent 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, 2006 was $18,947.

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 $250,000 per claim. Claims exceeding $250,000 are reinsured in an amount not to exceed $1,750,000 per claim and $5,000,000 in aggregate per year. For members requiring specific coverage from $2,000,000 to $10,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

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. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three years.

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 percent 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 and the member's proportionate share of any capital deficiency.

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.

(9) Recyclable Materials Processing Agreement

The Association entered into a recycling agreement with Midwest Recycling, Inc. (the Company). The Association maintains recycling containers within Page County and is responsible for transferring those materials received for recycling to a processing facility maintained by the Company. Midwest Recycling, Inc. has agreed to receive, process and market recyclable materials and to provide education programs on recycling to businesses in Page County. The agreement was for a period of one year beginning March 1, 1997 and is renewable annually. The Association pays the Company a flat rate of $4,500 per month for these services.

(10) Subsequent Events

The Page County Landfill Association plans to close all existing cells and open a new cell that has been under construction by October 1, 2007 in order to comply with minimum liner standards established by the Environmental Protection Agency and adopted by the Iowa Department of Natural Resources. The Association has used existing resources to finance these activities.

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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, 2006, which collectively comprise the Association's basic financial statements listed in the table of contents, and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Page County Landfill Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, 2006 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.

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

September 21, 2006

Page County Landfill Association

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

No matters were noted.

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 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 – During the year ended June 30, 2006, the Association used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

(7) Financial Assurance – The Association has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care		$ 1,585,913
Less: Balance of funds held in the local dedicated fund at June 30, 2005		(1,351,292)
		234,621
Divided by the number of years remaining in the pay-in period	÷	2
Required payment into the local dedicated fund for the year ended June 30, 2006		117,311
Balance of funds held in the local dedicated fund at at June 30, 2005		1,351,292
Required balance of funds to be held in the local dedicated fund at June 30, 2006		$ 1,468,603
Amount Association has restricted for closure and postclosure care at June 30, 2006		$ 1,492,957

Page County Landfill Association

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Melissa M. Wellhausen, CPA, Staff Auditor
Anna R. Thede, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State