



**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

FOR RELEASE March 19, 2007

Contact: Andy Nielsen
515/281-5834

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

The Commission had total revenues of \$391,402 for the year ended June 30, 2006, a 7 percent increase over the prior year. Revenues included gate fees of \$290,190 and County and City assessments of \$78,100.

Expenses totaled \$338,534 for the year ended June 30, 2006, an 11 percent increase over the prior year, and included \$82,572 for employee salaries and benefits, \$26,176 for long range planning and engineering and \$53,648 for closure and postclosure care.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###

FREMONT COUNTY LANDFILL COMMISSION

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

JUNE 30, 2006

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	7-10
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Assets	A 12
Statement of Revenues, Expenses and Changes in Net Assets	B 13
Statement of Cash Flows	C 14
Notes to Financial Statements	15-20
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>	23-24
Schedule of Findings	25-26
Staff	27

Fremont County Landfill Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ross Silcock	Chairperson	City of Tabor
Rodney Umphreys	Member	City of Thurman
Gary Holland	Member	City of Hamburg
Tom Shull	Member	City of Farragut
Doug Hobbie	Member	City of Sidney
Vance Trively	Member	City of Randolph
Harold Taylor	Member	City of Imogene
Dennis Phillips	Member	City of Riverton
Chuck Larson	Member	Board of Supervisors
Michael Fox	Manager	
Bonnie Ward	Scale Operator	

Fremont County Landfill Commission



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 Fremont
County Landfill Commission:

We have audited the accompanying basic financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 basic financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fremont County Landfill Commission 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 January 2, 2007 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 10 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

January 2, 2007

Fremont County Landfill Commission

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

FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues increased 4%, or \$14,974, from fiscal 2005 to fiscal 2006. Gate fees increased \$18,903, or 7%, while County and City assessments decreased.
- ◆ The Commission's operating expenses were 12%, or \$35,673, more in fiscal 2006 than in fiscal 2005.
- ◆ The Commission's net assets increased 39.7%, or \$52,868, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The Fremont County Landfill Commission is a single Enterprise Fund 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 Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

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

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

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

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2006 totaled \$186,044. This compares to \$133,176 at the end of fiscal 2005. A summary of the Commission's net assets is presented below.

Net Assets		
	June 30,	
	2006	2005
Assets		
Current assets	\$ 344,809	302,060
Restricted cash and investments	297,570	233,459
Capital assets at cost, less accumulated depreciation	277,462	325,357
Total assets	<u>919,841</u>	<u>860,876</u>
Liabilities		
Current liabilities	54,708	63,426
Noncurrent liabilities	679,089	664,244
Total liabilities	<u>733,797</u>	<u>727,670</u>
Net assets		
Invested in capital assets, net of related debt	197,073	202,318
Restricted for tonnage fees retained	11,355	15,810
Unrestricted	(22,384)	(84,952)
Total net assets	<u>\$ 186,044</u>	<u>133,176</u>

The largest portion of the Commission's net assets is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The restricted portion of net assets represents net assets restricted for tonnage fees due to the State of Iowa or available to be used for specific purposes. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The remaining net assets are the unrestricted net assets, which reflect a deficit balance to the extent the Commission has reported noncurrent liabilities for landfill closure and postclosure care. Each fiscal year, the Commission increases the amount set aside for closure and postclosure care. For the year ended June 30, 2006, this caused an increase in restricted cash and investments and unrestricted net assets. The overall result is a \$52,868 increase to total net assets.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the 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 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	\$ 290,190	271,287
County and city assessments	78,100	82,029
Total operating revenues	<u>368,290</u>	<u>353,316</u>
Operating expenses:		
Salaries and benefits	82,572	76,683
Closure and postclosure care	53,648	47,179
Depreciation	56,156	61,923
Iowa Department of Natural Resources tonnage fees	13,313	13,237
Other operating expenses	126,980	97,974
Total operating expenses	<u>332,669</u>	<u>296,996</u>
Operating income	35,621	56,320
Non-operating revenues (expenses), net	17,247	5,001
Increase in net assets	<u>52,868</u>	<u>61,321</u>
Net assets beginning of year	<u>133,176</u>	<u>71,855</u>
Net assets end of year	<u>\$ 186,044</u>	<u>133,176</u>

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

In fiscal 2006, operating revenues increased by \$14,974, or 4%, primarily a result of gate fees increasing by \$18,903 due to an increase in the volume of collections. Operating expenses also increased by \$35,673, or 12%. The increase was primarily a result of an increase in machinery maintenance, labor and parts, oil and gas and long range planning and engineering 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 provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes the purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2006, the Commission had approximately \$277,500 invested in capital assets, net of accumulated depreciation of approximately \$522,000. Depreciation charges totaled \$56,156 for fiscal 2006. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2006, the Commission had \$80,389 in capital lease agreements outstanding, a decrease of \$42,650 from 2005. 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 has continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

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

Basic Financial Statements

Exhibit A

Fremont County Landfill Commission

Statement of Net Assets

June 30, 2006

Assets

Current assets:

Cash	\$ 277,012
Receivables:	
Accounts	58,956
Accrued interest	247
Due from other governments	7,793
Prepaid insurance	801
Total current assets	<u>344,809</u>

Noncurrent assets:

Restricted cash	11,355
Restricted investments	286,215
Capital assets (net of accumulated depreciation)	277,462
Total noncurrent assets	<u>575,032</u>
Total assets	<u>919,841</u>

Liabilities

Current liabilities:

Accounts payable	3,925
Salaries and benefits payable	1,879
Due to other governments	3,489
Current portion of capital lease agreements payable	44,668
Compensated absences	747
Total current liabilities	<u>54,708</u>

Non-current liabilities:

Capital lease agreements payable	35,721
Landfill closure and postclosure care	643,368
Total noncurrent liabilities	<u>679,089</u>
Total liabilities	<u>733,797</u>

Net Assets

Invested in capital assets, net of related debt	197,073
Restricted for tonnage fees retained	11,355
Unrestricted	(22,384)
Total net assets	<u>\$ 186,044</u>

See notes to financial statements.

Fremont County Landfill Commission

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2006

Operating revenues:	
Gate fees	\$ 290,190
County and city assessments	78,100
Total operating revenues	<u>368,290</u>
Operating expenses:	
Salaries and benefits	82,572
Machinery maintenance, labor and parts	23,008
Oil and gas	23,223
Long range planning and engineering	26,176
Site maintenance	6,236
Site utilities	5,260
Office operation	2,074
Training and travel	1,453
Legal and accounting	9,713
Insurance	14,981
Closure and postclosure care	53,648
Planning and recycling	6,440
Iowa Department of Natural Resources tonnage fees	13,313
Depreciation	56,156
Sales tax	7,355
Miscellaneous	1,061
Total operating expenses	<u>332,669</u>
Operating income	<u>35,621</u>
Non-operating revenues (expenses):	
Interest income	23,112
Interest expense	(5,865)
Net non-operating revenues	<u>17,247</u>
Change in net assets	52,868
Net assets beginning of year	<u>133,176</u>
Net assets end of year	<u>\$ 186,044</u>

See notes to financial statements.

Fremont County Landfill Commission

Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Cash received from gate fees	\$ 291,146
Cash received from assessments	78,524
Cash paid to suppliers for goods and services	(145,088)
Cash paid to employees for services	(82,555)
Net cash provided by operating activities	<u>142,027</u>
Cash flows from capital and related financing activities:	
Principal paid on capital lease agreements	(42,650)
Interest paid on capital lease agreements	(5,865)
Purchase of capital assets	(8,261)
Net cash used by capital and related financing activities	<u>(56,776)</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(68,566)
Interest received	23,067
Net cash used by investing activities	<u>(45,499)</u>
Net increase in cash and cash equivalents	39,752
Cash and cash equivalents beginning of year	<u>248,615</u>
Cash and cash equivalents end of year	<u>\$ 288,367</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 35,621
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	56,156
Closure and postclosure care	53,648
Changes in assets and liabilities:	
Decrease in receivables	1,380
Decrease in prepaid insurance	93
(Decrease) in payables	(4,888)
(Decrease) in salaries and benefits payable	(116)
Increase in compensated absenses	133
Total adjustments	<u>106,406</u>
Net cash provided by operating activities	<u>\$ 142,027</u>

See notes to financial statements.

Fremont County Landfill Commission

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

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

The Commission is composed of one representative from each of the eight member cities and one representative from Fremont County. The member cities are Thurman, Tabor, Hamburg, Riverton, Farragut, Sidney, Randolph and Imogene. The representative of a city is appointed by the 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 utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

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 Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Assets, Liabilities and Net Assets

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

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2006 include certificates of deposit of \$286,215.

Restricted Cash and 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:

<u>Asset Class</u>	<u>Amount</u>
Buildings	\$ 1,500
Equipment and vehicles	250-1,500
Infrastructure	1,500

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

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	20
Equipment and vehicles	5-7
Infrastructure	20

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2006.

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

(2) Cash and Investments

The Commission'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 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 3.70% of their annual covered salary and the Commission 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 Commission's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$4,010, \$3,758 and \$2,985, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	\$ 67,071	-	-	67,071
Capital assets being depreciated:				
Buildings	65,032	-	-	65,032
Equipment and vehicles	621,378	8,261	-	629,639
Infrastructure	37,833	-	-	37,833
Total capital assets being depreciated	724,243	8,261	-	732,504
Less accumulated depreciation for:				
Buildings	33,403	1,971	-	35,374
Equipment and vehicles	431,135	52,294	-	483,429
Infrastructure	1,419	1,891	-	3,310
Total accumulated depreciation	465,957	56,156	-	522,113
Total capital assets being depreciated, net	258,286	(47,895)	-	210,391
Total capital assets, net	\$ 325,357	(47,895)	-	277,462

Equipment with a total cost of \$339,666 was acquired under capital lease agreements. Accumulated depreciation on this equipment totals \$213,773, including \$48,523 of depreciation expense for the year ended June 30, 2006.

(5) Capital Lease Agreements

The Commission has entered into capital lease agreements to lease a scraper and a grader. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 4.25% to 4.75% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2006:

Year Ending June 30,	Scraper	Grader	Total
2007	37,455	11,060	48,515
2008	37,455	-	37,455
Total minimum lease payments	74,910	11,060	85,970
Less amount representing interest	(5,122)	(459)	(5,581)
Present value of net minimum lease payments	\$ 69,788	10,601	80,389

Payments under capital lease agreements totaled \$48,515 for the year ended June 30, 2006.

(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 \$256,399 for closure and \$587,681 for postclosure care, for a total of \$844,090 as of June 30, 2006, and the portion of the liability that has been recognized is \$643,368. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2006. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 9 years and the capacity used at June 30, 2006 is 76 percent.

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, 2006, assets of \$286,215 are restricted for these purposes, of which \$190,027 is for closure and \$96,188 is for postclosure care. They are included in restricted cash and investments on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) 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 has adopted the Local Government Guarantee mechanism to demonstrate financial assurance for the unfunded costs.

(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, 2006, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$11,355, which is included in restricted cash on the Statement of Net Assets.

(8) Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

(9) Subsequent Event

The Fremont County Landfill Commission plans to modify all existing cells 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 Commission plans to use existing resources to finance these activities.

**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**

Fremont County Landfill Commission



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 Fremont
County Landfill Commission:

We have audited the accompanying financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2006, and have issued our report thereon dated January 2, 2007. 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 Fremont County Landfill Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fremont County Landfill Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is 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 an immaterial instance of non-compliance or other matters that is described in the accompanying Schedule of Findings.

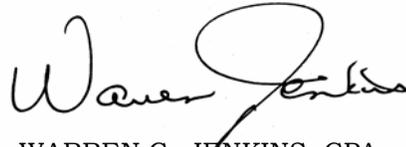
Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, 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.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Fremont County Landfill Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Fremont County Landfill Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 2, 2007

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

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

- (1) Investments – Recording investment transactions, reconciling and verifying earnings.
- (2) Receipts – mail opening, collecting, depositing, journalizing, posting and maintaining accounts receivable.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review the transactions and balances to obtain the maximum internal control possible under the circumstances.

Response – The Commission will continue to examine transactions at proper intervals to ensure proper internal control is maintained.

Conclusion – Response accepted.

- (B) Authorized Check Signers – Former employees of the Commission have not been removed from the bank signature cards.

Recommendation – Authorized check signers should be restricted to current Commission employees or officials. All bank signature cards should be updated to include only current Commission employees or officials.

Response – The Commission will pass a motion to update proper signature cards.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures for travel expenses of spouses of Commission officials or employees were noted.

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2006

- (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 – During the year ended June 30, 2006, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (6) Closure/Postclosure Care – The Commission maintains closure/postclosure care accounts in accordance with Chapter 455B.306(8) of the Code of Iowa and Chapter 567-111.8 of the Iowa Administrative Code.
- (7) Financial Assurance – The Fremont County Landfill Commission has demonstrated financial assurance for closure and postclosure care costs through the local government guarantee mechanism as provided in Chapter 111.6(8) of the Iowa Administrative Code. The Landfill has adequately demonstrated proof of financial assurance compliance.
- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Commission retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Commission should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The bank has been contacted and the Commission requested an image for both sides of checks.

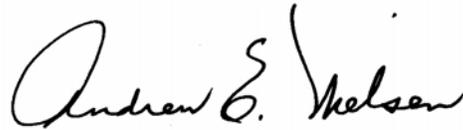
Conclusion – Response accepted.

Fremont County Landfill Commission

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Janet M. Tiefenthaler, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State