



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE January 31, 2008

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

The Association had total revenues of \$705,472 during the year ended June 30, 2007, a 2% increase over the prior year. Revenues included gate fees of \$579,014, interest income of \$77,425, grant revenue of \$18,515 and other operating revenue of \$30,518.

Expenses totaled \$763,298 for the year ended June 30, 2007, a 6.6% increase over the prior year, and included \$180,277 for employee salaries and benefits, \$160,863 for depreciation and \$91,905 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>.

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**PAGE COUNTY LANDFILL ASSOCIATION**

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

**JUNE 30, 2007**

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## Page County Landfill Association

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
James Long	Chairperson	City of Essex
Jon Herzberg	Vice-Chairperson	Board of Supervisors
Shawn Fechter	Member	City of Clarinda
Kelvin Kirchner	Member	City of Braddyville
Jim Ripley	Member	City of College Springs
Karlette Thorton	Member	City of Coin
Beverly Clinkingbeard	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**



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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, 2007. 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, 2007, 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 November 16, 2007 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

November 16, 2007

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2007. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- ◆ The Association's operating revenues increased 3.3%, or \$19,268, from fiscal 2006 to 2007.
- ◆ The Association's operating expenses increased 4.5%, or \$32,294, from fiscal 2006 to 2007.
- ◆ The Association's net non-operating revenues decreased 19.2%, or \$17,802, from fiscal 2006 to 2007. This decrease was primarily due to the Landfill receiving a gain on disposition of equipment during fiscal year 2006, net of the SWAP forgivable loan received in fiscal year 2007.
- ◆ The Association's net assets decreased 3.4%, or \$57,826, from June 30, 2006 to June 30, 2007.

### **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 2007 totaled \$1,655,760. This compares to \$1,713,586 at the end of fiscal 2006. A summary of the Association's net assets is presented below:

	Net Assets	
	June 30,	
	2007	2006
Current assets	\$ 266,229	381,984
Restricted cash and investments	2,121,826	1,496,842
Capital assets at cost, less accumulated depreciation	2,051,794	1,129,076
Total assets	<u>4,439,849</u>	<u>3,007,902</u>
Current liabilities	248,762	88,496
Noncurrent liabilities	2,535,327	1,205,820
Total liabilities	<u>2,784,089</u>	<u>1,294,316</u>
Net assets:		
Invested in capital assets, net of related debt	881,432	1,038,714
Restricted	582,975	339,123
Unrestricted	191,353	335,749
Total net assets	<u>\$ 1,655,760</u>	<u>1,713,586</u>

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. The unrestricted net assets decreased \$144,396, or 43%, due to increases in certain expenses, including salaries and benefits for the new recycling center, fuel costs, rock for the recycling center, leachate treatment and legal and interest expenses for the general obligation capital loan notes issued during the year.

### *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 and expenses include interest income, non-operating grants 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, 2007 and 2006 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2007	2006
Operating revenues:		
Gate fees	\$ 579,014	561,207
Other operating revenues	30,518	29,057
Total operating revenues	<u>609,532</u>	<u>590,264</u>
Operating expenses:		
Salaries and benefits	180,277	151,416
Machinery maintenance, labor and parts	38,156	41,493
Oil and gas	45,402	31,828
Long range planning and engineering	18,323	15,110
Site maintenance	18,992	5,415
Site utilities	15,827	7,440
Office supplies and operations	12,125	3,609
Training and travel	1,799	2,720
Legal and accounting	18,016	4,386
Insurance	25,462	26,652
Closure and postclosure care	31,132	96,569
Planning and recycling	91,905	130,288
Iowa Department of Natural Resources tonnage fees	27,814	23,956
Depreciation	160,863	134,430
Sales tax	3,020	3,238
Leachate treatment, collection and maintenance	45,766	27,870
Miscellaneous	7,609	3,774
Total operating expenses	<u>742,488</u>	<u>710,194</u>
Operating loss	<u>(132,956)</u>	<u>(119,930)</u>
Non-operating revenues (expenses):		
Interest income	77,425	61,097
SWAP forgivable loan	18,515	-
Interest expense	(20,810)	(5,709)
Gain on disposition of equipment	-	37,544
Net non-operating revenues	<u>75,130</u>	<u>92,932</u>
Change in net assets	<u>(57,826)</u>	<u>(26,998)</u>
Net assets beginning of year	<u>1,713,586</u>	<u>1,740,584</u>
Net assets end of year	<u>\$ 1,655,760</u>	<u>1,713,586</u>

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 2007, operating revenues increased \$19,268, or 3.3%, a result of increasing gate fees. Operating expenses increased \$32,294, or 4.5%, a result of increases in salaries and benefits, fuel costs, rock purchases and leachate treatment 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 reduced by payments to employees and to suppliers. Cash provided by capital and related financing activities includes debt proceeds reduced by principal and interest payments on debt and the purchase of capital assets. Cash used for investing activities includes interest received, reduced by the purchase of investments.

## **CAPITAL ASSETS**

At June 30, 2007, the Association had \$2,051,794 invested in capital assets, net of accumulated depreciation of \$960,514. The \$1,083,581 increase in capital assets was primarily the result of construction in progress on the new recycling building and the addition of equipment, including a roll-off truck, pickup, skid loader, recycling boxes and concrete dividers. Depreciation expense totaled \$160,863 for fiscal 2007. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

## **DEBT ADMINISTRATION**

At June 30, 2007, the Association had \$1,520,362 in debt outstanding, an increase of \$1,430,060. The table below summarizes outstanding debt by type.

	June 30,	
	2007	2006
General obligation capital loan notes	\$ 995,000	-
SWAP loan	450,804	-
Capital lease purchase agreements	74,558	90,302
Total	\$ 525,362	90,302

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

## **ECONOMIC FACTORS**

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

- ◆ Facilities 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, 2007

**Assets**

## Current assets:

Cash	\$ 193,130
Receivables:	
Accounts	34,025
Accrued interest	11,565
Due from other governments	21,851
Prepaid expense	5,658
Total current assets	<u>266,229</u>

## Noncurrent assets:

Restricted cash	4,225
Restricted investments	2,117,601
Capital assets, net of accumulated depreciation	2,051,794
Total noncurrent assets	<u>4,173,620</u>

**Total assets**4,439,849**Liabilities**

## Current liabilities:

Accounts payable	20,309
Accrued interest payable	14,088
Salaries and benefits payable	8,136
Compensated absences	23,278
Due to other governments	9,065
Current portion of:	
Notes payable	55,000
SWAP loan payable	66,786
Capital lease purchase agreements payable	52,100
Total current liabilities	<u>248,762</u>

## Noncurrent liabilities:

Notes payable	940,000
SWAP loan payable	384,018
Capital lease purchase agreements payable	22,458
Landfill closure and postclosure care	1,188,851
Total noncurrent liabilities	<u>2,535,327</u>
Total liabilities	<u>2,784,089</u>

**Net assets**

Invested in capital assets, net of related debt	881,432
Restricted for:	
Tonnage fees retained	4,225
Debt service	103,000
Closure and postclosure care	475,750
Unrestricted	191,353
<b>Total net assets</b>	<u><u>\$ 1,655,760</u></u>

See notes to financial statements.

**Exhibit B**

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## Page County Landfill Association

## Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2007

Operating revenues:	
Gate fees	\$ 579,014
Other operating revenues	30,518
Total operating revenues	<u>609,532</u>
Operating expenses:	
Salaries and benefits	180,277
Machinery maintenance, labor and parts	38,156
Oil and gas	45,402
Long range planning and engineering	18,323
Site maintenance	18,992
Site utilities	15,827
Office supplies and operations	12,125
Training and travel	1,799
Legal and accounting	18,016
Insurance	25,462
Closure and postclosure care	31,132
Planning and recycling	91,905
Iowa Department of Natural Resources tonnage fees	27,814
Depreciation	160,863
Sales tax	3,020
Leachate treatment, collection and maintenance	45,766
Miscellaneous	7,609
Total operating expenses	<u>742,488</u>
Operating loss	<u>(132,956)</u>
Non-operating revenues (expenses):	
Interest income	77,425
SWAP forgivable loan	18,515
Interest expense	(20,810)
Net non-operating revenues	<u>75,130</u>
Change in net assets	(57,826)
Net assets beginning of year	<u>1,713,586</u>
Net assets end of year	<u>\$ 1,655,760</u>

See notes to financial statements.



## Page County Landfill Association

## Statement of Cash Flows

Year ended June 30, 2007

Cash flows from operating activities:	
Cash received from gate fees	\$ 572,559
Cash received from other operating receipts	30,518
Cash paid to suppliers for goods and services	(286,030)
Cash paid to employees for services	(171,080)
Net cash provided by operating activities	<u>145,967</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,032,605)
Principal paid on capital lease purchase agreements	(51,885)
Interest paid on capital lease purchase agreements	(4,266)
Proceeds of SWAP loan	486,015
Principal paid on SWAP loan	(16,696)
Interest paid on SWAP loan	(1,275)
Proceeds of general obligation capital loan notes	995,000
Proceeds of bank loan	100,000
Principal paid on bank loan	(100,000)
Interest paid on bank loan	(1,181)
Net cash provided by capital and related financing activities	<u>373,107</u>
Cash flows from investing activities:	
Sale of investments	146,223
Purchase of investments	(624,644)
Interest received	83,669
Net cash used for investing activities	<u>(394,752)</u>
Net increase in cash and cash equivalents	124,322
Cash and cash equivalents beginning of year	<u>73,033</u>
Cash and cash equivalents end of year (includes restricted cash of \$4,225)	<u>\$ 197,355</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	<u>\$ (132,956)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	160,863
Closure and postclosure care	31,132
Changes in assets and liabilities:	
(Increase) in receivables	(6,455)
Decrease in prepaid expense	93,725
(Decrease) in accounts payable	(9,784)
Increase in salaries and benefits payable	2,065
Increase in compensated absences	7,132
Increase in due to other governments	245
Total adjustments	<u>278,923</u>
Net cash provided by operating activities	<u>\$ 145,967</u>

## Non-cash capital and related financing activities:

During the year ended June 30, 2007, a skid loader costing \$36,081 was acquired through a capital lease purchase agreement.

See notes to financial statements.

Page County Landfill Association

Notes to Financial Statements

June 30, 2007

**(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 Page County Landfill Association are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The Association distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Association's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

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

Cash, Investments and Cash Equivalents – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash equivalents of the Association include money market accounts. Cash investments not meeting the definition of cash equivalents at June 30, 2007 include certificates of deposit of \$1,867,601.

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.

<u>Asset Class</u>	<u>Amount</u>
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, 2007.

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, 2007.

**(2) Cash and Investments**

The Association’s deposits in banks at June 30, 2007 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$250,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

At June 30, 2007, the Association had cash on hand of \$100 and deposits as follows:

Certificates of deposit	\$ 1,867,601
Checking account	(32,161)
Savings accounts	<u>229,416</u>
 Total	 <u>\$ 2,064,856</u>

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance			Balance
	Beginning		End	
	of Year	Increases	Decreases	of Year
Capital assets not being depreciated:				
Land	\$ 307,147	-	-	307,147
Construction in progress	301,418	570,242	-	871,660
Total capital assets not being depreciated	608,565	570,242	-	1,178,807
Capital assets being depreciated:				
Land improvements	69,439	-	-	69,439
Buildings	90,089	-	-	90,089
Equipment	1,160,634	513,339	-	1,673,973
Total capital assets being depreciated	1,320,162	513,339	-	1,833,501
Less accumulated depreciation for:				
Land improvements	60,439	1,985	-	62,424
Buildings	65,085	3,819	-	68,904
Equipment	674,127	155,059	-	829,186
Total accumulated depreciation	799,651	160,863	-	960,514
Total capital assets being depreciated, net	520,511	352,476	-	872,987
Total capital assets, net	\$ 1,129,076	922,718	-	2,051,794

Equipment costing \$255,196 was purchased under capital lease purchase agreements. Accumulated depreciation on these assets totaled \$68,618 at June 30, 2007.

**(4) Long-Term Debt**

General Obligation Capital Loan Notes

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

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

Year	Interest	Principal	Interest	Total
Ending	Rates			
June 30,				
2008	3.80%	\$ 55,000	52,873	107,873
2009	3.80	65,000	37,565	102,565
2010	3.80	70,000	35,095	105,095
2011	3.80	70,000	32,435	102,435
2012	3.85	70,000	29,775	99,775
2013-2017	3.85-4.05	310,000	110,275	420,275
2018-2022	4.10-4.25	355,000	45,833	400,833
Total		\$ 995,000	343,851	1,338,851

### Bank Loan

The Association entered into a \$500,000 line of credit with Bank Iowa on October 27, 2006 maturing on January 15, 2007. The line of credit maturity date was later extended until March 1, 2007. On December 26, 2006, the Association borrowed \$100,000 on the line of credit at an interest rate of 8.50%. The Association repaid the \$100,000 loan, including \$1,181 of interest, on February 14, 2007.

### Solid Waste Alternative Program (SWAP) Loan

In May 2006, the Association entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of establishing a permanent processing facility for recyclables and expand the existing recycling collection programs. The agreement awarded up to \$487,500 in the form of a forgivable loan of \$20,000, a zero interest loan of \$150,000 and a 3% interest loan of \$317,500. The term of the loan is 72 months and requires 28 quarterly payments of \$17,971 beginning April 15, 2007. At June 30, 2007, a total of \$486,015 has been drawn on the loans, including \$18,515 of the forgivable loan. There are no unmet conditions to be achieved for loan forgiveness.

Details of the Association's SWAP loan at June 30, 2007 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	0%/3.00%	\$ 66,786	5,098	71,884
2009	0%/3.00	66,786	5,098	71,884
2010	0%/3.00	66,786	5,098	71,884
2011	0%/3.00	66,786	5,098	71,884
2012	0%/3.00	66,786	5,098	71,884
2013-2014	0%/3.00	116,874	8,922	125,796
Total		\$ 450,804	34,412	485,216

The Association paid \$16,696 in principal and \$1,275 in interest under the agreement during the year ended June 30, 2007.

### Capital Lease Purchase Agreements

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.

On September 14, 2006, the Association entered into a capital lease purchase agreement to lease a John Deere Skid Loader. The agreement is for a period of 4 years at an interest rate of 3.900% and expires in fiscal year 2010.

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

Year Ending June 30,	Crawler Loader	Skid Loader	Total
2008	\$ 45,641	8,681	54,322
2009	3,803	8,681	12,484
2010	-	8,681	8,681
2011	-	2,170	2,170
Total minimum lease payments	49,444	28,213	77,657
Less amount representing interest	(1,343)	(1,756)	(3,099)
Principal value of net minimum lease payments	\$ 48,101	26,457	74,558

Payments under these two agreements in the year ended June 30, 2007 totaled \$56,151.

**(5) Pension and Retirement Benefits**

The Association contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$8,348, \$6,364 and \$6,177, respectively, equal to the required contribution for each year.

**(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 \$636,717 for closure and \$1,012,200 for postclosure, for a total of \$1,648,917 as of June 30, 2007, and the portion of the liability that has been recognized is \$1,188,851. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The landfill's estimated remaining life increased from 6 years to 48 years and the capacity used decreased from 73 percent at June 30, 2006 to 24 percent at June 30, 2007. The significant changes in the estimated remaining life and capacity used were the result of the construction of a new cell. Although the new cell significantly increased the life and

capacity of the landfill, the closure and postclosure care costs increased only slightly from the prior year. This was possible because the new cell is located between two existing cells and the landfill was able to expand the capacity vertically.

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 Association has accumulated resources to fund these costs and, at June 30, 2007, assets of \$1,664,601 are restricted for these purposes. They are reported as restricted investments on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), the Association is required to demonstrate financial assurance for the estimated closure and postclosure care costs. The Association has adopted the dedicated fund mechanism. At June 30, 2007, the Association had fully funded the estimated closure and postclosure care costs.

Chapter 567-111.8(7) of the IAC allows the Association to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Association is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**(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, 2007, the unspent amounts retained by the Association and restricted for the required purposes totaled \$4,225.

**(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 556 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, 2007 was \$21,737.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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. The Association does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the Association's financial statements. As of June 30, 2007, 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.

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) 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.

**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 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, 2007 and have issued our report thereon dated November 16, 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 Page County Landfill Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Page County Landfill Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Page County Landfill Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Page County Landfill Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Page County Landfill Association's financial statements that is more than inconsequential will not be prevented or detected by the Page County Landfill Association's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Page County Landfill Association's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe items (A) and (B) are material weaknesses.

## Compliance and Other Matters

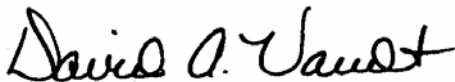
As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination 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. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

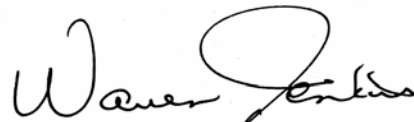
The Page County Landfill Association's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Association's responses, we did not audit the Page County Landfill Association's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 16, 2007

Page County Landfill Association

Schedule of Findings

Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

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

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

Response—The manager plans to go over all accounts receivable, bills paid, deposits, and daily tickets.

Conclusion—Response acknowledged. The reviews should be evidenced with the initials or signature of the reviewer and the date of the review.

- (B) Reconciliation of Billings, Collections and Delinquencies—Customer billings, collections and delinquent accounts were not reconciled each month.

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

Response—The Association will reconcile the billings, collections and accounts receivable on the customer accounts each month and have the reconciliation available to the Board at monthly meetings.

Conclusion—Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Page County Landfill Association

Schedule of Findings

Year ended June 30, 2007

**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—Except as noted, no transactions were found that we believe should have been approved in the Association minutes but were not.

Certain board minutes were not signed and the proof of publications of proceedings were not properly maintained. The publications did not include a schedule of bills allowed and the gross salaries of employees were not published annually as required by Chapter 28E.6 of the Code of Iowa.

Recommendation - The Association should make sure all minutes are signed and retain proof of publications of proceedings of meetings. The publication should include a schedule of bills allowed and the gross salaries of employees should be published annually.

Response - The Association will make certain all board meeting minutes are signed, will obtain and keep on file all proof of publications, will publish the schedule of bills allowed, and annually publish the salaries of employees.

Conclusion - Response accepted.

- (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, 2007, the Association used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

Page County Landfill Association

Schedule of Findings

Year ended June 30, 2007

- (6) 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	\$ 1,648,917
Less: Balance of funds held in the local dedicated fund at June 30, 2006	<u>(1,492,957)</u>
	155,960
Divided by the number of years remaining in the pay-in period	÷ <u>1</u>
Required payment into the local dedicated fund for the year ended June 30, 2007	155,960
Balance of funds held in the local dedicated fund at June 30, 2006	<u>1,492,957</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2007	<u>\$ 1,648,917</u>
Amount Association has restricted for closure and postclosure care at June 30, 2007	<u>\$ 1,664,601</u>

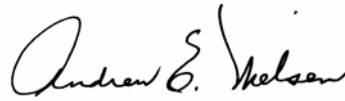
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Page County Landfill Association

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Melissa M. Wellhausen, CPA, Staff Auditor  
Keith C. Kistenmacher, 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