OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE January 11, 2010

Contact: Andy Nielsen
515/281-5834

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

The Association had total revenues of $868,942 during the year ended June 30, 2009, a less than 1% decrease from the prior year. Revenues included gate fees of $686,303, recycling fees of $109,730, interest income of $62,874 and other operating revenue of $10,035.

Expenses totaled $1,081,235 for the year ended June 30, 2009, a 25% decrease from the prior year, and included $252,534 for employee salaries and benefits, $258,865 for depreciation and $148,684 for closure and postclosure care. The significant decrease in expenses is due primarily to less closure and postclosure care expenses than in the prior year.

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

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PAGE COUNTY LANDFILL ASSOCIATION

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

JUNE 30, 2009

0914-2310-B00F

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Page County Landfill Association

Officials

Name	Title	Representing
James Long	Chairperson	City of Essex
Jon Herzberg	Vice-Chairperson	Board of Supervisors
Jeff McCall	Member	City of Clarinda
Kelvin Kirchner	Member	City of Braddyville
Bob Carroll	Member	City of College Springs
Karlette Thorton	Member	City of Coin
Beverly Clinkingbeard	Member	City of Blanchard
Don Gibson	Member	City of Shenandoah
Leon Larsen	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	
Keith Bischof	Office Secretary	

Page County Landfill Association

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David A. Vaudt, CPA
Auditor of State

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, 2009. 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, 2009, 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 24, 2009 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 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Page County Landfill Association provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. 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 5%, or $40,505, from fiscal 2008 to fiscal 2009.
- The Association's operating expenses decreased 25%, or $346,015, from fiscal 2008 to fiscal 2009. The decrease was primarily due to a decrease of $385,345 for closure and postclosure care. Effective December 10, 2007, the landfill's old cell no longer accepted waste and the costs associated with the unused capacity of the cell were recognized as expenses in the prior year.
- The Association's net non-operating revenues decreased 78%, or $38,728, from fiscal 2008 to fiscal 2009. This decrease was primarily due to a decrease of $43,083 in interest income.
- The Association's net assets decreased 19%, or $212,293, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The Page County Landfill Association is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Page County Landfill Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows.

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

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

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

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

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

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 2009 totaled $883,382. This compares to $1,095,675 at the end of fiscal 2008. A summary of the Association's net assets is presented below:

Net Assets	June 30, 2009	June 30, 2008
Current assets	$ 151,377	161,369
Restricted cash and investments	1,867,007	2,135,136
Capital assets at cost, less accumulated depreciation	2,178,167	2,169,743
Total assets	4,196,551	4,466,248
Current liabilities	295,249	288,630
Noncurrent liabilities	3,017,920	3,081,943
Total liabilities	3,313,169	3,370,573
Net assets:		
Invested in capital assets, net of related debt	819,106	967,554
Restricted	3,789	47,173
Unrestricted	60,487	80,948
Total net assets	$ 883,382	1,095,675

Noncurrent liabilities decreased $64,023 from the prior year. Liabilities for outstanding debt decreased $212,707 due to current year principal payments. The landfill closure and postclosure care liability increased $148,684 due to DNR regulation changes. The Association was required to install a flexible membrane liner at the base of the new cell instead of a 4 foot compacted clay base as originally approved. The regulations also require the cell to be capped with the same type of liner, increasing the estimated closure costs. These unexpected changes forced the Association to significantly reduce the estimated capacity and useful life of the cell from the prior year.

The portion of the Association's net assets which is restricted includes tonnage fees retained for purposes specified in the Code of Iowa. The invested in capital assets (e.g. land and improvements, buildings and equipment), net of related debt are resources allocated to capital assets. The remaining net assets are 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 $20,461, or 25%, due to increases in certain expenses, including salaries and benefits and legal fees.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are from gate fees for accepting solid waste and for recycling. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses include interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2009	2008
Operating revenues:		
Gate fees	$ 686,303	596,456
Recycling	109,730	155,552
Other operating revenues	10,035	13,555
Total operating revenues	806,068	765,563
Operating expenses:		
Salaries and benefits	252,534	229,210
Machinery maintenance, labor and parts	46,588	23,428
Oil and gas	50,714	70,442
Long range planning and engineering	50,361	30,549
Site maintenance	4,479	17,309
Site utilities	10,406	20,141
Office supplies and operations	7,962	10,421
Training and travel	-	775
Legal and accounting	33,567	15,587
Insurance	37,083	32,266
Closure and postclosure care	148,684	534,029
Planning and recycling	62,203	43,656
Iowa Department of Natural Resources tonnage fees	22,554	30,987
Depreciation	258,865	243,877
Leachate treatment, collection and maintenance	27,674	52,130
Household hazardous waste	15,471	15,746
Miscellaneous	15	4,622
Total operating expenses	1,029,160	1,375,175
Operating loss	(223,092)	(609,612)
Non-operating revenues (expenses):		
Interest income	62,874	105,957
SWAP forgivable loan	-	1,485
Interest expense	(52,075)	(57,915)
Net non-operating revenues	10,799	49,527
Change in net assets	(212,293)	(560,085)
Net assets beginning of year	1,095,675	1,655,760
Net assets end of year	$ 883,382	1,095,675

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 2009, operating revenues increased $40,505, or 5%, as a result of increases in revenue from gate fees. Operating expenses decreased $346,015, or 25%, due primarily to less closure and postclosure care expenses in the current year because increased expenses were recognized in the prior year upon closure of the old cell.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash flows from operating activities includes gate fees reduced by payments to employees and to suppliers. Cash flows from capital and related financing activities includes principal and interest payments on debt and the purchase of capital assets. Cash flows from investing activities includes interest received and the sale of investments.

CAPITAL ASSETS

At June 30, 2009, the Association had $3,641,423 invested in capital assets, net of accumulated depreciation of $1,463,256. The $267,289 increase in capital assets was primarily the result of the flexible membrane liner that was installed in the new cell. Depreciation expense totaled $258,865 for fiscal 2009. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2009, the Association had $1,359,061 in debt outstanding, a decrease of $208,210 from the prior year. The table below summarizes outstanding debt by type.

	June 30,	
	2009	2008
General obligation capital loan notes	$ 875,000	940,000
SWAP loan	317,232	384,018
Capital lease purchase agreements	166,829	243,253
Total	$1,359,061	1,567,271

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, 2009

Assets	
Current assets:	
Cash	$ 56,595
Receivables:	
Accounts	60,779
Accrued interest	6,468
Due from other governments	24,956
Prepaid expense	2,579
Total current assets	151,377
Noncurrent assets:	
Restricted cash	3,789
Restricted cash equivalents and investments	1,863,218
Capital assets, net of accumulated depreciation	2,178,167
Total noncurrent assets	4,045,174
Total assets	4,196,551
Liabilities	
Current liabilities:	
Accounts payable	23,224
Accrued interest payable	2,878
Salaries and benefits payable	13,674
Compensated absences	32,143
Due to other governments	10,625
Current portion of:	
Notes payable	70,000
SWAP loan payable	66,786
Capital lease purchase agreements payable	75,919
Total current liabilities	295,249
Noncurrent liabilities:	
Notes payable	805,000
SWAP loan payable	250,446
Capital lease purchase agreements payable	90,910
Landfill closure and postclosure care	1,871,564
Total noncurrent liabilities	3,017,920
Total liabilities	3,313,169
Net assets	
Invested in capital assets, net of related debt	819,106
Restricted for tonnage fees retained	3,789
Unrestricted	60,487
Total net assets	$ 883,382

See notes to financial statements.

Page County Landfill Association

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2009

Operating revenues:	
Gate fees	$ 686,303
Recycling	109,730
Other operating revenues	10,035
Total operating revenues	806,068
Operating expenses:	
Salaries and benefits	252,534
Machinery maintenance, labor and parts	46,588
Oil and gas	50,714
Long range planning and engineering	50,361
Site maintenance	4,479
Site utilities	10,406
Office supplies and operations	7,962
Legal and accounting	33,567
Insurance	37,083
Closure and postclosure care	148,684
Planning and recycling	62,203
Iowa Department of Natural Resources tonnage fees	22,554
Depreciation	258,865
Leachate treatment, collection and maintenance	27,674
Household hazardous waste	15,471
Miscellaneous	15
Total operating expenses	1,029,160
Operating loss	(223,092)
Non-operating revenues (expenses):	
Interest income	62,874
Interest expense	(52,075)
Net non-operating revenues	10,799
Change in net assets	(212,293)
Net assets beginning of year	1,095,675
Net assets end of year	$ 883,382

See notes to financial statements.

Page County Landfill Association

Statement of Cash Flows

Year ended June 30, 2009

Cash flows from operating activities:	
Cash received from gate fees	$ 678,588
Cash received from other operating receipts	119,765
Cash paid to suppliers for goods and services	(381,557)
Cash paid to employees for services	(238,188)
Net cash provided by operating activities	178,608
Cash flows from capital and related financing activities:	
Purchase of capital assets	(267,289)
Principal paid on capital lease purchase agreements	(76,424)
Interest paid on capital lease purchase agreements	(9,214)
Principal paid on SWAP loan	(66,786)
Interest paid on SWAP loan	(5,098)
Principal paid on general obligation capital loan notes	(65,000)
Interest paid on general obligation capital loan notes	(37,965)
Net cash used for capital and related financing activities	(527,776)
Cash flows from investing activities:	
Sale of investments	53,182
Interest received	3,002
Net cash provided by investing activities	56,184
Net decrease in cash and cash equivalents	(292,984)
Cash and cash equivalents beginning of year	353,368
Cash and cash equivalents end of year (includes restricted cash of $3,789)	$ 60,384
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (223,092)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	258,865
Closure and postclosure care	148,684
Changes in assets and liabilities:	
(Increase) in receivables	(7,715)
(Increase) in prepaid expense	(458)
(Decrease) in accounts payable	(2,679)
Increase in salaries and benefits payable	2,585
Increase in compensated absences	8,361
(Decrease) in due to other governments	(5,943)
Total adjustments	401,700
Net cash provided by operating activities	$ 178,608

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

B. Basis of Presentation

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

D. Assets, Liabilities and Net Assets

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

Cash, Investments and Cash Equivalents – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash equivalents of the Association include money market accounts. Cash investments not meeting the definition of cash equivalents at June 30, 2009 include certificates of deposit of $1,863,218.

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

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	10-15
Equipment	5-10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2009.

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, 2009.

(2) Cash and Investments

The Association's deposits in banks at June 30, 2009 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.

At June 30, 2009, the Association had cash on hand of $100 and deposits as follows:

Certificates of deposit	$ 1,863,218
Checking account	845
Savings accounts	56,287
Total	$ 1,923,502

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 307,147	-	-	307,147
Construction in progress	301,418	262,945	564,363	-
Total capital assets not being depreciated	608,565	262,945	564,363	307,147
Capital assets being depreciated:				
Land improvements	69,439	564,363	-	633,802
Buildings	676,333	-	-	676,333
Equipment	2,019,797	4,344	-	2,024,141
Total capital assets being depreciated	2,765,569	568,707	-	3,334,276
Less accumulated depreciation for:				
Land improvements	64,409	34,906	-	99,315
Buildings	94,707	33,131	-	127,838
Equipment	1,045,275	190,828	-	1,236,103
Total accumulated depreciation	1,204,391	258,865	-	1,463,256
Total capital assets being depreciated, net	1,561,178	309,842	-	1,871,020
Total capital assets, net	$ 2,169,743	572,787	564,363	2,178,167

Equipment costing $328,411 was purchased under capital lease purchase agreements. Accumulated depreciation on these assets totaled $97,011 at June 30, 2009.

(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 expanding 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 Ending June 30,	Interest Rates	Principal	Interest	Total
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	3.85	75,000	27,080	102,080
2014	3.90	55,000	24,192	79,192
2015-2019	3.95-4.15	315,000	86,033	401,033
2020-2022	4.20-4.25	220,000	18,802	238,802
Total		$ 875,000	253,412	1,128,412

The Association paid $65,000 in principal and $37,965 in interest and bond registrar fees during the year ended June 30, 2009.

Solid Waste Alternative Program (SWAP) Loan

In May 2006, the Association entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of establishing a permanent processing facility for recyclables and expand the existing recycling collection programs. The agreement awarded up to $487,500 in the form of a forgivable loan of $20,000, a zero interest loan of $150,000 and a 3% interest loan of $317,500. The term of the loan is 84 months and requires 28 quarterly payments of $17,971 beginning April 15, 2007. At June 30, 2009, a total of $487,500 has been drawn on the loans, including $20,000 of the forgivable loan. There are no unmet conditions to be achieved for loan forgiveness.

Details of the Association's SWAP loan at June 30, 2009 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	0%/3.00	66,786	5,098	71,884
2014	0%/3.00	50,088	3,824	53,912
Total		$ 317,232	24,216	341,448

The Association paid $66,786 in principal and $5,098 in interest under the agreement during the year ended June 30, 2009.

Capital Lease Purchase Agreements

On September 14, 2006, the Association entered into a capital lease purchase agreement to lease a skid loader. The agreement is for a period of 4 years at an interest rate of 3.9% and expires in fiscal year 2011.

On September 17, 2007, the Association entered into a capital lease purchase agreement to lease a tractor and scraper. The agreement is for a period of 4 years at an interest rate of 4.5% and expires in fiscal year 2012.

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,	Skid Loader	Tractor/ Scraper	Total
2010	$ 8,681	73,153	81,834
2011	2,170	73,153	75,323
2012	-	18,290	18,290
Total minimum lease payments	10,851	164,596	175,447
Less amount representing interest	(279)	(8,339)	(8,618)
Principal value of net minimum lease payments	$ 10,572	156,257	166,829

Payments under the agreements during the year ended June 30, 2009 totaled $85,638.

(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 4.10% of their annual covered salary and the Association is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were $11,514, $10,450 and $8,348, 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 and 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 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 Page County Landfill Association have been estimated at $581,550 and $1,158,495 for closure and postclosure care, respectively, for Cell A (old cell) and $210,855 and $0 for closure and postclosure care, respectively, for Cell B (new cell), for a total of $1,950,900 as of June 30, 2009, and the portion of the liability that has been recognized is $1,871,564. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2009. Since the Association is not able to separate the postclosure costs between Cell A and Cell B, all costs have been associated with Cell A. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of Cell B is 2 years. The capacity used at June 30, 2009 is 100 percent in Cell A and 62 percent in Cell B. Since the prior year, the estimated remaining life of Cell B decreased from 47 to 2 years as a result of changes in DNR regulations. The Association was required to install a flexible membrane liner at the base of the new cell instead of a 4 foot compacted clay base as originally approved. The regulations also require the cell to be capped with the same type of liner, increasing estimated closure costs. These unexpected changes forced the Association to significantly reduce the estimated capacity and useful life of the cell from the prior year.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Association has begun accumulating resources to fund these costs and, at June 30, 2009, assets of $1,863,218 are restricted for these purposes. They are reported as restricted investments in the Statement of Net Assets.

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

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

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

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

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

(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, 2009, the unspent amounts retained by the Association and restricted for the required purposes totaled $3,789.

(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 577 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 200 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, 2009 was $26,516.

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 $10,000,000 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, 2009, no liability has been recorded in the Association's financial statements. As of June 30, 2009, 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.

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, 2009 and have issued our report thereon dated November 24, 2009. 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 the Page County Landfill Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, including deficiencies we consider to be 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, of the significant deficiencies described above, we believe items (A), (B) and (D) 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 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 Association's operations for the year ended June 30, 2009 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 24, 2009

Page County Landfill Association

Schedule of Findings

Year ended June 30, 2009

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 Association's financial statements. Customer billings, collections, deposits and posting to customer accounts are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Association should review its operating procedures to obtain the maximum internal control possible under the circumstances. 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 review all accounts receivable, deposits, and daily tickets and include the initials and date to evidence the review.

Conclusion – Response accepted.

(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 – We will reconcile the billings, collections and accounts receivable on the customer accounts each month and have the reconciliation available to the Association at monthly meetings.

Conclusion – Response accepted.

(C) Disbursements – Checks were sometimes countersigned in advance.

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

Response – Checks will be signed after the completed check and appropriate supporting evidence is received.

Conclusion – Response accepted.

(D) Financial Reporting – During the audit, we identified material amounts of payables and interest not reported in the Association's financial statements. Adjustments were subsequently made by the Association to properly include these amounts in the financial statements.

Recommendation – The Association should implement procedures to ensure all payables and interest are identified and included in the Association's financial statements.

Response – The Association will improve procedures to ensure all payables and interest are identified and included in the Association's financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

<u>Other Findings Related to Required Statutory Reporting</u>:

(1) <u>Questionable Expenses</u> – 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) <u>Travel Expenses</u> – No expenditures of Association money for travel expenses of spouses of Association officials or employees were noted.

(3) <u>Association Minutes</u> – No transactions were found that we believe should have been approved in the Association minutes but were not.

(4) <u>Deposits and Investments</u> – 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) <u>Solid Waste Tonnage Fees Retained</u> – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

(6) <u>Financial Assurance</u> – The Association has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

		A Old Cell	B New Cell	Total
Total estimated costs for closure and postclosure care		$ 1,740,045	210,855	1,950,900
Less: Balance of funds held in the local dedicated fund at June 30, 2008		(1,732,266)	(16,430)	(1,748,696)
		7,779	194,425	202,204
Divided by the number of years remaining in the pay-in period	÷	1	2	
Required payment into the local dedicated fund for the year ended June 30, 2009		7,779	97,213	104,992
Balance of funds held in the local dedicated fund at at June 30, 2008		1,732,266	16,430	1,748,696
Required balance of funds to be held in the local dedicated fund at June 30, 2009		$ 1,740,045	113,643	1,853,688
Amount Association has restricted for closure and postclosure care at June 30, 2009		$ 1,745,686	117,532	1,863,218

(7) <u>Public Improvement Project</u> – The Association did not advertise for sealed bids or publish notice of a public hearing for the landfill expansion project as required by Chapter 26.7 and Chapter 26.12 of the Code of Iowa.

<u>Recommendation</u> – The Association should advertise for bids and publish notice of public hearings for public improvement projects as required.

<u>Response</u> – Any project over $100,000 will be advertised for bids and notice of public hearing published as required.

<u>Conclusion</u> – Response accepted.

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Adam D. Steffensmeier, Staff Auditor
Lara K. Van Wyk, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State