



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

March 9, 2010

Contact: Andy Nielsen  
515/281-5834

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

The Commission had total revenues of \$537,921 for the year ended June 30, 2009, a 24 percent increase over the prior year. Revenues included gate fees of \$354,658 and county and city assessments of \$91,632.

Expenses totaled \$348,399 for the year ended June 30, 2009, a 53 percent decrease from the prior year, and included \$114,597 for employee salaries and benefits and \$118,543 for depreciation and amortization.

The significant increase in revenue is primarily due to an increase in gate fees and a grant from the Iowa Department of Natural Resources for construction of a hazardous materials building and educational programs. The significant decrease in expenses is primarily due to a decrease in the estimate for closure and postclosure care.

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

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**FREMONT COUNTY LANDFILL COMMISSION**

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

**JUNE 30, 2009**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	7-10
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Assets	A      12
Statement of Revenues, Expenses and Changes in Net Assets	B      13
Statement of Cash Flows	C      14
Notes to Financial Statements	15-21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	25-26
Schedule of Findings	27-29
Staff	30

## Fremont County Landfill Commission

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
<b>(Before January 2009)</b>		
Ross Silcock	Chairperson	City of Tabor
James Keightley	Member	City of Thurman
Kent Benefiel	Member	City of Hamburg
Tom Shull	Member	City of Farragut
Randy Roup	Member	City of Sidney
Vance Trively	Member	City of Randolph
Dennis Phillips	Member	City of Riverton
Teri Poe	Member	City of Imogene
Earl Hendrickson	Member	Board of Supervisors
John Whipple	Member	Board of Supervisors
Michael Fox	Manager	
Bonnie Ward	Scale Operator	
<b>(After January 2009)</b>		
Dennis Phillips	Chairperson	City of Riverton
Kevin Perrin	Member	City of Thurman
Kent Benefiel	Member	City of Hamburg
Tom Shull	Member	City of Farragut
Randy Roup	Member	City of Sidney
Vance Trively	Member	City of Randolph
Ross Silcock	Member	City of Tabor
Teri Poe	Member	City of Imogene
Earl Hendrickson	Member	Board of Supervisors
Cara Marker-Morgan	Member	Board of Supervisors
Michael Fox	Manager	
Bonnie Ward	Scale Operator	

**Fremont County Landfill Commission**



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Independent Auditor's Report

To the Members of the Fremont  
County Landfill Commission:

We have audited the accompanying financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Fremont County Landfill Commission 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 February 16, 2010 on our consideration of the Fremont County Landfill Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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

February 16, 2010

**Fremont County Landfill Commission**

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

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The Fremont County Landfill Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. Beginning net assets has been restated to correct the calculation of the closure and postclosure care liability due to a prior year error in the remaining capacity of the landfill. The restatement increased the beginning net assets by \$216,795 to \$75,578. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- ◆ The Commission's operating revenues increased 12%, or \$47,925, from fiscal 2008 to fiscal 2009. Gate fees increased \$35,308, or 11%, while county and city assessments increased \$12,617, or 16%.
- ◆ The Commission's operating expenses were 36%, or \$169,827, less in fiscal 2009 than in fiscal 2008.
- ◆ The Commission's net assets increased 251%, or \$189,522, from June 30, 2008 to June 30, 2009.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

## FINANCIAL ANALYSIS OF THE COMMISSION

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2009 totaled \$265,100. This compares to \$75,578 at the end of fiscal 2008, as restated. A summary of the Commission's net assets is presented below.

Net Assets		
	June 30,	
	2009	2008 Restated
<b>Assets</b>		
Current assets	\$ 328,495	254,327
Restricted cash and investments	436,605	475,392
Bond issue costs, net of accumulated amortization	27,769	29,864
Capital assets, net of accumulated depreciation	1,311,479	1,357,717
Total assets	<u>2,104,348</u>	<u>2,117,300</u>
<b>Liabilities</b>		
Current liabilities	153,220	114,561
Noncurrent liabilities	1,686,028	1,927,161
Total liabilities	<u>1,839,248</u>	<u>2,041,722</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	231,479	182,717
Restricted for tonnage fees retained	-	11,146
Unrestricted	33,621	(118,285)
Total net assets	<u>\$ 265,100</u>	<u>75,578</u>

The largest portion of the Commission's net assets is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The restricted portion of net assets represents net assets restricted for tonnage fees due to the State of Iowa or available to be used for specific purposes.

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

### *Statement of Revenues, Expenses and Changes in Net Assets (Deficit)*

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

	Changes in Net Assets	
	Year ended June 30,	
	2009	2008 Restated
Operating revenues:		
Gate fees	\$ 354,658	319,350
County and city assessments	91,632	79,015
Total operating revenues	<u>446,290</u>	<u>398,365</u>
Operating expenses:		
Salaries and benefits	114,597	106,704
Closure and postclosure care	(80,317)	70,316
Depreciation and amortization	118,543	131,827
Iowa Department of Natural Resources tonnage fees	13,426	14,845
Other operating expenses	<u>129,977</u>	<u>142,361</u>
Total operating expenses	<u>296,226</u>	<u>466,053</u>
Operating income	150,064	(67,688)
Non-operating revenues (expenses), net	<u>39,458</u>	<u>(18,318)</u>
Change in net assets	189,522	(86,006)
Net assets beginning of year, restated	<u>75,578</u>	<u>161,584</u>
Net assets end of year	<u>\$ 265,100</u>	<u>75,578</u>

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

In fiscal 2009, operating revenues increased \$47,925, or 12%, primarily due to an increase in gate fees. Operating expenses decreased \$169,827, or 36%, primarily due to a decrease in depreciation and the change in the estimate of closure and postclosure care costs.

### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash flows from operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash flows from capital and related financing activities includes loan payments and the purchase of capital assets. Cash flows from investing activities includes the sale of certificates of deposit and interest income.

## **CAPITAL ASSETS**

At June 30, 2009, the Commission had \$1,311,479 invested in capital assets, net of accumulated depreciation of \$674,621. Depreciation charges totaled \$116,448 for fiscal 2009. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

## **LONG-TERM DEBT**

On August 9, 2007, Fremont County issued \$1,265,000 of general obligation solid waste disposal bonds and loaned the proceeds to the Commission. The Commission used the proceeds from the loan for the purpose of constructing improvements to the solid waste disposal facilities. The Commission entered into a written loan agreement with the County to reimburse the County for \$1,265,000 plus interest. At June 30, 2009, the outstanding balance was \$1,080,000. Additional information about the Commission's long-term debt is presented in Note 5 to the financial statements.

## **ECONOMIC FACTORS**

The Fremont County Landfill Commission's financial position increased during the current fiscal year, primarily due to an increase in gate fees, a grant from the Iowa Department of Natural Resources and a decrease in the estimated closure and postclosure care costs. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- ◆ Facilities at the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

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

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**

## Fremont County Landfill Commission

## Statement of Net Assets

June 30, 2009

**Assets**

## Current assets:

Cash	\$ 256,166
Receivables:	
Accounts	53,025
Accrued interest	146
Due from other governments	11,817
Prepaid insurance	7,341
Total current assets	<u>328,495</u>

## Noncurrent assets:

Restricted cash	61,319
Restricted investments	375,286
Capital assets (net of accumulated depreciation)	1,311,479
Bond issue costs (net of accumulated amortization)	27,769
Total noncurrent assets	<u>1,775,853</u>
<b>Total assets</b>	<u>2,104,348</u>

**Liabilities**

## Current liabilities:

Accounts payable	20,232
Sales tax payable	1,592
Accrued interest payable	3,728
Salaries and benefits payable	3,800
Due to other governments	3,230
Compensated absences	850
Unearned grant revenue	19,788
Loan payable	100,000
Total current liabilities	<u>153,220</u>

## Non-current liabilities:

Loan payable	980,000
Landfill closure and postclosure care	706,028
Total noncurrent liabilities	<u>1,686,028</u>
<b>Total liabilities</b>	<u>1,839,248</u>

**Net Assets**

Invested in capital assets, net of related debt	231,479
Unrestricted	33,621
<b>Total net assets</b>	<u>\$ 265,100</u>

See notes to financial statements.

## Fremont County Landfill Commission

Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2009

Operating revenues:	
Gate fees	\$ 354,658
County and city assessments	91,632
Total operating revenues	<u>446,290</u>
Operating expenses:	
Salaries and benefits	114,597
Equipment repair	11,887
Fuel and oil	19,309
Insurance	18,207
Outside services	30,618
Accounting and legal fees	13,331
Iowa Department of Natural Resources tonnage fees	13,426
Utilities	9,186
Closure and postclosure care	(80,317)
Depreciation and amortization	118,543
Miscellaneous	27,439
Total operating expenses	<u>296,226</u>
Operating income	<u>150,064</u>
Non-operating revenues (expenses):	
Interest income	21,419
Grant income	70,212
Interest expense	(52,173)
Net non-operating revenues	<u>39,458</u>
Change in net assets	189,522
Net assets beginning of year, restated	<u>75,578</u>
Net assets end of year	<u>\$ 265,100</u>

See notes to financial statements.

## Fremont County Landfill Commission

## Statement of Cash Flows

Year ended June 30, 2009

Cash flows from operating activities:	
Cash received from gate fees	\$ 344,147
Cash received from assessments	91,632
Cash paid to suppliers for goods and services	(187,419)
Cash paid to employees for services	(115,515)
Net cash provided by operating activities	<u>132,845</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(70,210)
Grant proceeds	90,000
Principal paid on loan from Fremont County	(95,000)
Interest paid on loan from Fremont County	(48,445)
Net cash used by capital and related financing activities	<u>(123,655)</u>
Cash flows from investing activities:	
Sale of certificates of deposit	88,960
Interest received	21,488
Net cash provided by investing activities	<u>110,448</u>
Net increase in cash and cash equivalents	119,638
Cash and cash equivalents beginning of year	<u>197,847</u>
Cash and cash equivalents end of year	<u>\$ 317,485</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	<u>\$ 150,064</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	116,448
Amortization	2,095
Closure and postclosure care	(141,133)
Changes in assets and liabilities:	
(Increase) in receivables	(10,511)
Decrease in prepaid insurance	5,739
Increase in accounts payable	9,971
(Decrease) in sales tax payable	(285)
Increase in salaries and benefits payable	849
(Decrease) in due to other governments	(373)
(Decrease) in compensated absences	(19)
Total adjustments	<u>(17,219)</u>
Net cash provided by operating activities	<u>\$ 132,845</u>

See notes to financial statements.

Fremont County Landfill Commission

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

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

The Commission is composed of one representative from each of the eight member cities and two representatives from Fremont County. The member cities are Thurman, Tabor, Hamburg, Riverton, Farragut, Sidney, Randolph and Imogene. The representative of a city is appointed by the city to be represented.

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

A. Reporting Entity

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

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

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

C. Measurement Focus

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

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

D. Assets, Liabilities and Net Assets

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

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2009 include certificates of deposit of \$375,286.

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

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

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds:

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

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

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

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

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation, sick leave and comp time hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation, sick leave and comp time has been computed based on rates of pay in effect at June 30, 2009.

## **(2) Cash and Investments**

The Commission'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 depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

## **(3) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual covered salary and the Commission is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$6,317, \$5,552 and \$4,224, respectively, equal to the required contributions for each year.

**(4) Capital Assets**

A summary of capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 67,071	-	-	67,071
Construction in progress	-	70,210	-	70,210
Total capital assets not being depreciated	67,071	70,210	-	137,281
Capital assets being depreciated:				
Buildings	156,175	-	-	156,175
Equipment and vehicles	710,915	-	-	710,915
Land improvements	943,896	-	-	943,896
Infrastructure	37,833	-	-	37,833
Total capital assets being depreciated	1,848,819	-	-	1,848,819
Less accumulated depreciation for:				
Buildings	41,025	4,250	-	45,275
Equipment and vehicles	462,859	47,381	-	510,240
Land improvements	47,195	62,926	-	110,121
Infrastructure	7,094	1,891	-	8,985
Total accumulated depreciation	558,173	116,448	-	674,621
Total capital assets being depreciated, net	1,290,646	(116,448)	-	1,174,198
Total capital assets, net	\$ 1,357,717	(46,238)	-	1,311,479

**(5) Long Term Debt**

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

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.90%	\$ 100,000	44,740	144,740
2011	3.95	105,000	40,840	145,840
2012	3.95	110,000	36,692	146,692
2013	4.00	110,000	32,348	142,348
2014	4.13	80,000	27,950	107,950
2015-2019	4.25-4.30	345,000	93,462	438,462
2020-2022	4.30-4.40	230,000	20,830	250,830
Total		\$ 1,080,000	296,862	1,376,862

**(6) Closure and Postclosure Care**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Fremont County Landfill Commission have been estimated at \$715,708 for closure and \$550,045 for postclosure care, for a total of \$1,265,753 as of June 30, 2009, and the portion of the liability that has been recognized is \$706,028. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations. On October 1, 2007, the Vertical cell stopped accepting refuse and the Subtitle D cell was opened. The completion of Phase I and II added an anticipated life of 9 years and the anticipated addition of Phases III through V will provide an additional 14 years of life. The estimated remaining initial life of Phase I and II is 1 ½ years.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2009, assets of \$436,605 are restricted for these purposes. They are included in restricted cash and investments on the Statement of Net Assets.

Also, pursuant to Chapter 567-113.14(6) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. In 2009, the Commission switched to a combination of the local government guarantee and the local government dedicated fund mechanisms.

**(7) Solid Waste Tonnage Fees Retained**

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2009, there are no unspent amounts retained by the Commission.

**(8) Risk Management**

The Commission 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 contributions.

The Commission's property and casualty contributions to the risk pool for the year ended June 30, 2009 were \$11,488.

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 by the Travelers Insurance Company.

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 Commission 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 Commission's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$200,000. The Commission 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) Restatement**

Beginning net assets has been restated to correct the calculation of the closure and postclosure care liability to correct an error in the remaining capacity of the landfill. The restatement increased beginning net assets, as follows:

	<u>Amount</u>
Net assets June 30, 2008, as previously reported	\$ (141,217)
Net change in closure and postclosure care liability due to the correction of an error in the remaining capacity	<u>216,795</u>
Net assets July 1, 2008, as restated	<u>\$ 75,578</u>

**Fremont County Landfill Commission**

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**Fremont County Landfill Commission**



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Members of the Fremont  
County Landfill Commission:

We have audited the accompanying financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2009, and have issued our report thereon dated February 16, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fremont County Landfill Commission's internal control over financial reporting 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 the Fremont County Landfill Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fremont County Landfill Commission's internal control over financial reporting.

Our consideration of internal control of 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

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 Fremont County Landfill Commission'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 Fremont County Landfill Commission's financial statements that is more than inconsequential will not be prevented or detected by the Fremont County Landfill Commission's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency 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 Fremont County Landfill Commission'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 the significant deficiency described above as item (A) is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fremont County Landfill Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted 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 Commission'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 Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

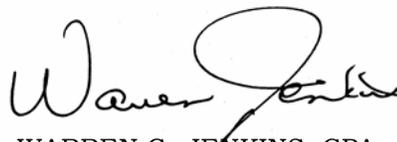
The Fremont County Landfill Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Fremont County Landfill Commission's responses and, accordingly, we 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 Fremont County Landfill Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 16, 2010

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCY:**

- (A) Financial Reporting – During the audit, we identified material amounts of liabilities not recorded in the Commission’s financial statements. An adjustment was subsequently made by the Commission to properly include the amounts in the financial statements.

Recommendation – The Commission should record the principal and interest payments to the County as required by the written agreement.

Response – Annually, the Manager will go over the financial statements with the Financial Accountant to make sure all capital assets and accounts payable are correct.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2009

**Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Commission minutes but were not.
  - Minutes do not show sufficient information to indicate the vote of each member.

Recommendation – The Commission’s minutes should show sufficient information to indicate the vote of each member.

Response – The Commission will implement the procedures required by the Code of Iowa.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission’s investment policy were noted.
- (5) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2009, the Commission used or retained the solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (6) Closure/Postclosure Care – The Commission maintains closure and postclosure care accounts in accordance with Chapter 455B.306(8) of the Code of Iowa and Chapter 567-111.8 of the Iowa Administrative Code.
- (7) Financial Assurance – The Commission has elected to demonstrate financial assurance for closure and postclosure care by the following two mechanisms:

Estimated closure and postclosure care costs at June 30, 2009	\$ 1,265,753
Local government guarantee as provided in Chapter 113.14(6)(h) of the Iowa Administrative Code	(801,508)
Local government dedicated fund as provided in Chapter 113.14(6)(i) of the Iowa Administrative Code	<u>(436,605)</u>
Amount of unfunded closure and postclosure care costs at June 30, 2009	<u>\$ 27,640</u>

The Commission has not demonstrated financial assurance for closure and postclosure care by designating sufficient amounts through the above two financial assurance mechanisms.

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2009

Also, the Commission reduced investments restricted for closure and postclosure care during the year below the amount needed to provide adequate financial assurance based on the estimated closure and postclosure care costs.

Recommendation – The Commission should provide sufficient amounts for financial assurance for closure and postclosure care as required by the Iowa Administrative Code.

Response – The Commission will contact the DNR and will comply as required.

Conclusion – Response accepted.

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Fremont County Landfill Commission

Staff

This audit was performed by:

K. David. Voy, CPA, Manager  
Dorothy O. Stover, Staff Auditor  
Stephanie A. Sissel, 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