OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE February 24, 2011

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

The Commission had total revenues of $691,856 for the year ended June 30, 2010, a 28.6 percent increase over the prior year. Revenues included gate fees of $456,567 and county and city assessments of $125,753.

Expenses totaled $586,513 for the year ended June 30, 2010, a 68.3 percent increase over the prior year, and included $123,082 for employee salaries and benefits, $112,556 for depreciation and amortization and $110,204 for closure and postclosure care.

The significant increase in revenue is primarily due to an increase in gate fees. The significant increase in expenses is primarily due to an increase 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/1014-2353-B00F.pdf.

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FREMONT COUNTY LANDFILL COMMISSION

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

JUNE 30, 2010

Table of Contents

Fremont County Landfill Commission

Officials

Name	Title	Representing
Dennis Phillips	Chairperson	City of Riverton
Kevin Perrin	Member	City of Thurman
Kent Benefiel	Member	City of Hamburg
Tom Shull	Member	City of Farragut
Robert Simmerman	Member	City of Sidney
Vance Trively	Member	City of Randolph
David Roberts	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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David A. Vaudt, CPA
Auditor of State

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, 2010. 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, 2010, 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 8, 2011 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 8, 2011

Fremont County Landfill Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fremont County Landfill Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. 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 30.5%, or $136,030, from fiscal year 2009 to fiscal year 2010. Gate fees increased $101,909, or 28.7%, while county and city assessments increased $34,121, or 37.2%.
- ♦ The Commission's operating expenses were 82.7%, or $244,990, more in fiscal year 2010 than in fiscal year 2009.
- ♦ The Commission's net assets increased 39.7%, or $105,343, from June 30, 2009 to June 30, 2010.

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 year 2010 totaled $370,443. This compares to $265,100 at the end of fiscal year 2009. A summary of the Commission's net assets is presented below.

Net Assets			
	June 30,		
		2010	2009
Assets			
Current assets	$	404,023	328,495
Restricted cash and investments		479,122	436,605
Bond issue costs, net of accumulated amortization		25,672	27,769
Capital assets, net of accumulated depreciation		1,466,960	1,311,479
Total assets		2,375,777	2,104,348
Liabilities			
Current liabilities		190,756	153,220
Noncurrent liabilities		1,814,578	1,686,028
Total liabilities		2,005,334	1,839,248
Net assets			
Invested in capital assets, net of related debt		329,178	231,479
Unrestricted		41,265	33,621
Total net assets	$	370,443	265,100

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 unrestricted portion of the Commission's net assets may be used to meet the Commission's obligations as they come due.

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 7 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, grant 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, 2010 and 2009 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2010	2009
Operating revenues:		
Gate fees	$ 456,567	354,658
County and city assessments	125,753	91,632
Total operating revenues	582,320	446,290
Operating expenses:		
Salaries and benefits	123,082	114,597
Closure and postclosure care	110,204	(80,317)
Depreciation and amortization	112,556	118,543
Iowa Department of Natural Resources tonnage fees	13,165	13,426
Other operating expenses	182,209	129,977
Total operating expenses	541,216	296,226
Operating income	41,104	150,064
Non-operating revenues, net	64,239	39,458
Change in net assets	105,343	189,522
Net assets beginning of year	265,100	75,578
Net assets end of year	$ 370,443	265,100

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 year 2010, operating revenues increased $136,030, or 30.5%, primarily due to an increase in gate fees. Operating expenses increased $244,990, or 82.7%, primarily due to 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 purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2010, the Commission had $1,970,874 invested in capital assets, net of accumulated depreciation of $503,914. Depreciation charges totaled $110,459 for fiscal year 2010. 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, 2010, the outstanding balance was $980,000. Additional information about the Commission's long–term debt is presented in Note 5 to the financial statements.

During the year ended June 30, 2010, the Commission entered into a capital lease purchase agreement of $157,782 for the acquisition of a scraper and tractor. Additional information on the Commission's lease debt is presented in Note 6 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 and assessments. 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, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fremont County Landfill Commission, 2879 250th Street, Sidney, Iowa 51652-0335.

Basic Financial Statements

Fremont County Landfill Commission

Statement of Net Assets

June 30, 2010

Assets	
Current assets:	
Cash	$ 311,784
Receivables:	
Accounts	51,093
Accrued interest	137
Due from other governments	39,179
Prepaid insurance	1,830
Total current assets	404,023
Noncurrent assets:	
Restricted cash	61,615
Restricted investments	417,507
Capital assets (net of accumulated depreciation)	1,466,960
Bond issue costs (net of accumulated amortization)	25,672
Total noncurrent assets	1,971,754
Total assets	2,375,777
Liabilities	
Current liabilities:	
Accounts payable	44,336
Sales tax payable	2,769
Accrued interest payable	4,285
Salaries and benefits payable	4,834
Due to other governments	3,524
Compensated absences	3,813
Unearned grant revenue	1,853
Current portion of long-term obligations:	
Lease payable	20,342
Loan payable	105,000
Total current liabilities	190,756
Non-current liabilities:	
Non-current portion of long-term obligations:	
Loan payable	875,000
Lease payable	137,440
Landfill closure and postclosure care	802,138
Total noncurrent liabilities	1,814,578
Total liabilities	2,005,334
Net Assets	
Invested in capital assets, net of related debt	329,178
Unrestricted	41,265
Total net assets	$ 370,443

See notes to financial statements.

Fremont County Landfill Commission

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2010

Operating revenues:	
Gate fees	$ 456,567
County and city assessments	125,753
Total operating revenues	582,320
Operating expenses:	
Salaries and benefits	123,082
Equipment repair and supplies	18,689
Fuel and oil	20,734
Insurance	13,148
Outside services	63,659
Accounting and legal fees	14,036
Iowa Department of Natural Resources tonnage fees	13,165
Utilities	7,311
Closure and postclosure care	110,204
Depreciation and amortization	112,556
Sales tax	9,321
Ground and leachate maintenance	17,624
Equpment rent	6,700
Miscellaneous	10,987
Total operating expenses	541,216
Operating income	41,104
Non-operating revenues (expenses):	
Interest income	16,919
Grant income	42,433
Gain on disposition of equipment	50,000
Miscellaneous	184
Interest expense	(45,297)
Net non-operating revenues	64,239
Change in net assets	105,343
Net assets beginning of year	265,100
Net assets end of year	$ 370,443

See notes to financial statements.

Fremont County Landfill Commission

Statement of Cash Flows

Year ended June 30, 2010

Cash flows from operating activities:	
Cash received from gate fees	$ 458,499
Cash received from assessments	122,889
Cash paid to suppliers for goods and services	(204,276)
Cash paid to employees for services	(120,743)
Net cash provided by operating activities	256,369
Cash flows from capital and related financing activities:	
Purchase of capital assets	(30,606)
Miscellaneous	184
Principal paid on loan from Fremont County	(100,000)
Interest paid on loan from Fremont County	(44,740)
Net cash used by capital and related financing activities	(175,162)
Cash flows from investing activities:	
Purchase of certificates of deposit	(34,697)
Interest received	9,404
Net cash used by investing activities	(25,293)
Net increase in cash and cash equivalents	55,914
Cash and cash equivalents beginning of year	317,485
Cash and cash equivalents end of year	$ 373,399
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 41,104
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	110,459
Amortization	2,097
Closure and postclosure care	96,110
Changes in assets and liabilities:	
Decrease in receivables	1,932
(Increase) in due from other governments	(2,864)
Decrease in prepaid insurance	5,511
(Decrease) in accounts payable	(3,448)
Increase in sales tax payable	1,177
Increase in salaries and benefits payable	1,034
Increase in due to other governments	294
Increase in compensated absenses	2,963
Total adjustments	215,265
Net cash provided by operating activities	$ 256,369

Non-cash investing, capital and related financing activities:

During the year June 30, 2010, the Commission acquired $207,782 of capital assets through a capital lease. The trade-in value of equipment deleted was $50,000.

See notes to financial statements.

(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 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 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.

The Commission 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 Commission'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 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, 2010 include certificates of deposit of $417,507.

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:

Asset Class	Amount
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:

Asset Class	Estimated Useful lives (In Years)
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, 2010.

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, 2010.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2010 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 4.30% of their annual covered salary and the Commission is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were $6,497, $6,317 and $5,552, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2010 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	21,109	88,265	3,054
Total capital assets not being depreciated	137,281	21,109	88,265	70,125
Capital assets being depreciated:				
Buildings	156,175	88,265	-	244,440
Equipment and vehicles	710,915	244,831	281,166	674,580
Land improvements	943,896	-	-	943,896
Infrastructure	37,833	-	-	37,833
Total capital assets being depreciated	1,848,819	333,096	281,166	1,900,749
Less accumulated depreciation for:				
Buildings	45,275	4,249	-	49,524
Equipment and vehicles	510,240	41,392	281,166	270,466
Land improvements	110,121	62,926	-	173,047
Infrastructure	8,985	1,892	-	10,877
Total accumulated depreciation	674,621	110,459	281,166	503,914
Total capital assets being depreciated, net	1,174,198	222,637	-	1,396,835
Total capital assets, net	$ 1,311,479	243,746	88,265	1,466,960

Equipment costing $207,782 was purchased under a capital lease purchase agreement. Accumulated depreciation and depreciation for the year ended June 30, 2010 on this equipment totals $5,194.

(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
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	4.13	80,000	24,647	104,647
2016-2020	4.25-4.30	335,000	78,865	413,865
2021-2022	4.40	160,000	10,780	170,780
Total		$ 980,000	252,122	1,232,122

(6) Capital Lease Purchase Agreement

In April 2010, the Commission entered into a capital lease purchase agreement for a John Deere scraper and tractor. The agreement is for a period of seven years at an interest rate of 3.35% per annum and expires in fiscal year 2017. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments.

Year Ending June 30,		Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2011	$	20,342	5,368	25,710
2012		21,034	4,676	25,710
2013		21,750	3,960	25,710
2014		22,490	3,220	25,710
2015		23,255	2,455	25,710
2016-2017		48,911	2,510	51,421
Total	$	157,782	22,189	179,971

There were no payments required for the year ended June 30, 2010.

(7) 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 $731,160 for closure and $553,045 for postclosure care, for a total of $1,284,205 as of June 30, 2010, and the portion of the liability that has been recognized is $802,138. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2010. 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 will add 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 12 months. In July, 2010, the Landfill began work on Abutment A, which will add an anticipated life of an additional 4 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, 2010, assets of $479,122 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. The Commission uses a combination of the local government guarantee and the local government dedicated fund financial assurance mechanisms.

Chapter 567-113.14(8) of the IAC allows the Commission 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.

(8) 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, 2010, there are no unspent amounts retained by the Commission.

(9) 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 634 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, 2010 were $5,633.

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 $150,000 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, 2010, no liability has been recorded in the Commission's financial statements. As of June 30, 2010, 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.

(10) Commitment and Subsequent Event

In June 2010, the Commission contracted with Joy Dirt Construction for the construction of Abutment A for $219,314. In November 2010, the Commission received a loan through First National Bank for $211,881 to finance this contract.

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 <u>Government Auditing Standards</u>

Fremont County Landfill Commission

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA
Auditor of State

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, 2010, and have issued our report thereon dated February 8, 2011. 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 an 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Fremont County Landfill Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in the Fremont County Landfill Commission's internal control described in the accompanying Schedule of Findings as item (A) to be 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.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2010 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 response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Commission's response, we did not audit the Fremont County Landfill Commission's response and, accordingly, we express no opinion on it.

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 8, 2011

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2010

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Financial Reporting – During the audit, we identified material amounts of liabilities and capital assets not recorded in the Commission's financial statements. In addition, we identified a payable and a capital asset which should not have been recorded in the financial statements. Adjustments were subsequently made by the Commission to properly record the amounts in the financial statements.

Recommendation – The Commission should review procedures for recording liabilities and capital assets.

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(2) Travel Expense – No expenditures for travel expenses of spouses of Commission officials or employees were noted.

(3) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.

(4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.

(5) Solid Waste Tonnage Fees Retained – 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.

(7) Financial Assurance – The Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund and through the local government guarantee mechanism, both as provided in Chapter 567-113.14(6) of the Iowa Administration Code (IAC). The local government guarantee mechanism is in place to assure those costs not covered by the dedicated fund mechanism. Financial assurance is demonstrated as follows:

	Closure/ Postclosure Care
Total estimated costs for closure and postclosure care	$ 1,284,205
Less: Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2010 (dedicated fund mechanism)	479,122
Remaining costs to be assured through the local government guarantee	$ 805,083
Financial assurance through the local government guarantee	$ 847,600

The Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. Required deposits of $34,697 were made during the year ended June 30, 2010.

Fremont County Landfill Commission

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Dorothy O. Stover, Staff Auditor
Melody M. Babcock, Assistant Auditor

Andrew E. Nielsen

Andrew E. Nielsen, CPA
Deputy Auditor of State