OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE March 6, 2008

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 $427,170 for the year ended June 30, 2007, a 9 percent increase over the prior year. Revenues included gate fees of $275,036 and county and city assessments of $78,100.

Expenses totaled $451,630 for the year ended June 30, 2007, a 33 percent increase over the prior year, and included $149,677 for closure and postclosure care, $95,985 for employee salaries and benefits, $28,253 for oil and gas and $18,863 for site maintenance.

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

# # #

FREMONT COUNTY LANDFILL COMMISSION

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

JUNE 30, 2007

0714-2353-B00F

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Fremont County Landfill Commission

Officials

(Before January 2007)

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

(After January 2007)

Name	Title	Representing
Ross Silcock	Chairperson	City of Tabor
James Keightley	Member	City of Thurman
Gary Holland	Member	City of Hamburg
Tom Shull	Member	City of Farragut
Doug Hobbie	Member	City of Sidney
Vance Trively	Member	City of Randolph
Harold Taylor	Member	City of Imogene
Dennis Phillips	Member	City of Riverton
Earl Hendrickson	Member	Board of Supervisors
John Whipple	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 basic financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2008 on our consideration of the Fremont County Landfill Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

David A. Vaudt

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 23, 2008

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

FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 4%, or $15,154, from fiscal 2006 to fiscal 2007. Gate fees decreased $15,154, or 5%, while county and city assessments remained constant.

- The Commission's operating expenses were 35%, or $115,113, more in fiscal 2007 than in fiscal 2006.

- The Commission's net assets decreased 13%, or $24,460, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

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

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

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist users 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 2007 totaled $161,584. This compares to $186,044 at the end of fiscal 2006. A summary of the Commission's net assets is presented below.

Net Assets

	June 30, 2007	June 30, 2006
Assets		
Current assets	$ 338,441	344,809
Restricted cash and investments	362,905	297,570
Capital assets at cost, less accumulated depreciation	726,326	277,462
Total assets	1,427,672	919,841
Liabilities		
Current liabilities	309,003	54,708
Noncurrent liabilities	957,085	679,089
Total liabilities	1,266,088	733,797
Net assets		
Invested in capital assets, net of related debt	498,605	197,073
Restricted for tonnage fees retained	6,972	11,355
Unrestricted	(343,993)	(22,384)
Total net assets	$ 161,584	186,044

The largest portion of the Commission's net assets is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The restricted portion of net assets represents net assets restricted for tonnage fees due to the State of Iowa or available to be used for specific purposes. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. Unrestricted net assets reflect a deficit because the Commission reported all of the estimated landfill closure and postclosure care as a liability at June 30, 2007 in anticipation of closing the existing old cell on October 1, 2007.

Each fiscal year, the Commission increases the amount set aside for closure and postclosure care. For the year ended June 30, 2007, restricted cash and investments increased $65,335. The Commission obtained assurance from Fremont County for the unfunded portion of landfill closure and postclosure care through a Letter of Guarantee. See Note 6 for additional information.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, gain on disposition of equipment and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2007 and 2006 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2007	2006
Operating revenues:		
Gate fees	$ 275,036	290,190
County and city assessments	78,100	78,100
Total operating revenues	353,136	368,290
Operating expenses:		
Salaries and benefits	95,985	82,572
Closure and postclosure care	149,677	53,648
Depreciation	71,107	56,156
Iowa Department of Natural Resources tonnage fees	13,659	13,313
Other operating expenses	117,354	126,980
Total operating expenses	447,782	332,669
Operating income (loss)	(94,646)	35,621
Non-operating revenues (expenses), net	70,186	17,247
Increase (decrease) in net assets	(24,460)	52,868
Net assets beginning of year	186,044	133,176
Net assets end of year	$ 161,584	186,044

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

In fiscal 2007, operating revenues decreased by $15,154, or 4%, primarily a result of gate fees decreasing by $15,154 due to a decrease in the volume of collections. Operating expenses increased by $115,113, or 35%. The increase was primarily a result of an increase in estimated current costs for closure and postclosure care of $96,029.

Statement of Cash Flows

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

CAPITAL ASSETS

At June 30, 2007, the Commission had $726,326 invested in capital assets, net of accumulated depreciation of $427,918. Depreciation charges totaled $71,107 for fiscal 2007. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2007, the Commission had $227,721 in capital lease agreements outstanding, an increase of $147,332 over 2006. 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 decreased during the current fiscal year, primarily due to an increase in closure and postclosure care expenses. 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.

On August 9, 2007, Fremont County issued $1,265,000 of general obligation solid waste disposal bonds on behalf of the Commission. The Commission used the proceeds from the bonds to finance construction of an office building and the Phase I and II Expansion project and to purchase equipment. 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 250th Street, Sidney, Iowa 51652-0335.

Basic Financial Statements

Fremont County Landfill Commission

Statement of Net Assets

June 30, 2007

Assets	
Current assets:	
Cash	$ 285,962
Receivables:	
Accounts	36,677
Accrued interest	469
Due from other governments	7,076
Prepaid insurance	8,257
Total current assets	338,441
Noncurrent assets:	
Restricted cash	6,972
Restricted investments	355,933
Capital assets (net of accumulated depreciation)	726,326
Total noncurrent assets	1,089,231
Total assets	1,427,672
Liabilities	
Current liabilities:	
Accounts payable	232,645
Sales tax payable	1,259
Salaries and benefits payable	6,748
Due to other governments	3,739
Current portion of capital lease agreements payable	63,681
Compensated absences	931
Total current liabilities	309,003
Non-current liabilities:	
Capital lease agreements payable	164,040
Landfill closure and postclosure care	793,045
Total noncurrent liabilities	957,085
Total liabilities	1,266,088
Net Assets	
Invested in capital assets, net of related debt	498,605
Restricted for tonnage fees retained	6,972
Unrestricted	(343,993)
Total net assets	$ 161,584

See notes to financial statements.

Fremont County Landfill Commission

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2007

Operating revenues:	
Gate fees	$ 275,036
County and city assessments	78,100
Total operating revenues	353,136
Operating expenses:	
Salaries and benefits	95,985
Machinery maintenance, labor and parts	17,709
Oil and gas	28,253
Long range planning and engineering	13,834
Site maintenance	18,863
Site utilities	5,048
Office operation	1,248
Training and travel	511
Legal and accounting	10,691
Insurance	4,892
Closure and postclosure care	149,677
Planning and recycling	8,476
Iowa Department of Natural Resources tonnage fees	13,659
Depreciation	71,107
Sales tax	4,901
Miscellaneous	2,928
Total operating expenses	447,782
Operating loss	(94,646)
Non-operating revenues (expenses):	
Interest income	23,034
Gain on disposition of equipment	51,000
Interest expense	(3,848)
Net non-operating revenues	70,186
Change in net assets	(24,460)
Net assets beginning of year	186,044
Net assets end of year	$ 161,584

See notes to financial statements.

Fremont County Landfill Commission

Statement of Cash Flows

Year ended June 30, 2007

Cash flows from operating activities:	
Cash received from gate fees	$ 297,315
Cash received from assessments	78,817
Cash paid to suppliers for goods and services	(136,929)
Cash paid to employees for services	(90,932)
Net cash provided by operating activities	148,271
Cash flows from capital and related financing activities:	
Principal paid on capital lease agreements	(44,668)
Interest paid on capital lease agreements	(3,848)
Purchase of capital assets	(48,282)
Net cash used by capital and related financing activities	(96,798)
Cash flows from investing activities:	
Purchase of certificates of deposit	(69,718)
Interest received	22,812
Net cash used by investing activities	(46,906)
Net increase in cash and cash equivalents	4,567
Cash and cash equivalents beginning of year	288,367
Cash and cash equivalents end of year	$ 292,934
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (94,646)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	71,107
Closure and postclosure care	149,677
Changes in assets and liabilities:	
Decrease in receivables	22,996
Increase in prepaid insurance	(7,456)
Increase in payables	1,540
Increase in salaries and benefits payable	4,869
Increase in compensated absenses	184
Total adjustments	242,917
Net cash provided by operating activities	$ 148,271

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2007, a crawler loader costing $243,000 was acquired through a capital lease agreement. In addition, the trade-in value of equipment deleted was $51,000.

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 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, 2007 include certificates of deposit of $355,933.

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, 2007.

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, 2007.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

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

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

(3) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were $4,224, $4,010 and $3,758, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	$ 67,071	-	-	67,071
Construction in progress	-	276,971	-	276,971
Total capital assets not being depreciated	67,071	276,971	-	344,042
Capital assets being depreciated:				
Buildings	65,032	-	-	65,032
Equipment and vehicles	629,639	243,000	165,302	707,337
Infrastructure	37,833	-	-	37,833
Total capital assets being depreciated	732,504	243,000	165,302	810,202
Less accumulated depreciation for:				
Buildings	35,374	1,971	-	37,345
Equipment and vehicles	483,429	67,244	165,302	385,371
Infrastructure	3,310	1,892	-	5,202
Total accumulated depreciation	522,113	71,107	165,302	427,918
Total capital assets being depreciated, net	210,391	171,893	-	382,284
Total capital assets, net	$ 277,462	171,893	-	726,326

Equipment with a total cost of $524,166 was acquired under capital lease agreements. Accumulated depreciation on this equipment totals $245,133, including $54,342 of depreciation expense for the year ended June 30, 2007.

(5) Capital Lease Agreements

The Commission has entered into capital lease agreements to lease a scraper and a crawler loader. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 4.75% to 5.25% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2007:

Year Ending June 30,	Scraper	Crawler Loader	Total
2008	$ 37,455	38,286	75,741
2009	-	38,286	38,286
2010	-	38,286	38,286
2011	-	38,286	38,286
2012	-	38,286	38,286
2013	-	38,286	38,286
Total minimum lease payments	37,455	229,716	267,171
Less amount representing interest	(1,734)	(37,716)	(39,450)
Present value of net minimum lease payments	$ 35,721	192,000	227,721

Payments under capital lease agreements totaled $48,516 for the year ended June 30, 2007.

(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 $318,595 for closure and $474,450 for postclosure care, for a total of $793,045 as of June 30, 2007, and the portion of the liability that has been recognized is $793,045. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The existing cell closed October 1, 2007.

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, 2007, assets of $355,933 are restricted for these purposes, of which $115,125 is for closure and $240,808 is for postclosure care. They are included in restricted cash and investments on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the Local Government Guarantee mechanism to demonstrate financial assurance for the unfunded costs.

(7) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2007, the unspent amounts retained by the Commission and restricted for the required purposes totaled $6,972, which is included in restricted cash on the Statement of Net Assets.

(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 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's contributions to the Pool for the year ended June 30, 2007 were $5,625.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim and $5,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 to $10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The 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) Subsequent Events

On August 9, 2007, Fremont County issued $1,265,000 of general obligation solid waste disposal bonds on behalf of the Commission to finance the construction of the Phase I and II Expansion project and an office building and to purchase equipment. The Commission will make payments to Fremont County in subsequent years to pay principal and interest on the general obligation solid waste disposal bonds.

The Fremont County Landfill Commission completed construction of the Phase I and II Expansion project on September 12, 2007 to comply with minimum liner standards established by the Environmental Protection Agency and adopted by the Iowa Department of Natural Resources. The Commission used general obligation solid waste disposal bond proceeds to finance these activities.

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

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STATE OF IOWA

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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, 2007, and have issued our report thereon dated January 23, 2008. 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 deleted by the Fremont County Landfill Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the 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, of the significant deficiencies described above, we believe items (A), (B) and (D) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, 2007 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

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 23, 2008

Fremont County Landfill Commission

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

(1) Investments – Recording investment transactions, reconciling and verifying earnings.

(2) The person opening the mail does not make a list of money and checks received.

(3) The responsibilities of maintaining detailed accounts receivable records is not segregated from collections and records posting

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

Response – Manager, Board Chairman and Financial Accountant will do a semi-annual inspection of all bank accounts, investment transactions, reconciliation and verification of earnings. This will be done on June 1 and December 1 of every year. At the Financial Accountant office, the receptionist will open all Commission mail and record all cash and checks received each day on an excel spreadsheet. This spreadsheet will be reviewed and verified by the accountant recording and depositing the Commission funds. Another accountant in the Financial Accounting office will review the spreadsheet and corresponding deposits and reconcile the bank accounts monthly. At each monthly meeting, the Financial Accountant will present an accounts receivable transaction aging report to be signed by the Chairman. This is a total of 4 different people in the Financial Accountant office reviewing Commission transactions.

Conclusion – Response accepted.

(B) Financial Reporting – During the audit, we identified material amounts of payables and capital asset additions 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 implement procedures to ensure all payables and capital asset additions are identified and included in the Commission's financial statements.

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.

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

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

Response – The Manager will make sure the proper signature cards are updated in all banks annually.

Conclusion – Response accepted.

(D) Reconciliation of Billings and Collections – Billings and collections were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile billings and collections each month. The Commission should review the reconciliations.

Response – A reconciliation of billings and collections will be presented at each monthly meeting and signed at the meeting by the Chairman.

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.

Commission minutes were not signed to authenticate Commission actions.

Recommendation – Commission minutes should be signed to authenticate actions approved by the Commission.

Response – Commission minutes will be signed at the meeting by the Chairman.

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

(6) Closure/Postclosure Care – The Commission maintains closure/postclosure care accounts in accordance with Chapter 455B.306(8) of the Code of Iowa and Chapter 567-111.8 of the Iowa Administrative Code.

(7) Financial Assurance – The Fremont County Landfill Commission has demonstrated financial assurance for closure and postclosure care costs through the local government guarantee mechanism as provided in Chapter 111.6(8) of the Iowa Administrative Code. The Landfill has adequately demonstrated proof of financial assurance compliance.

(8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Commission retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Response – The Manager will contact the bank and request proper images of checks be provided on a monthly basis.

Conclusion – Response accepted.

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Michelle L. Harris, Staff Auditor
Gelu Sherpa, Assistant Auditor
Andrew E. Nielsen, CPA

Andrew E. Nielsen, CPA
Deputy Auditor of State