OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE March 17, 2006

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 $366,108 for the year ended June 30, 2005, a 3 percent decrease from the prior year. Revenues included gate fees of $271,287 and County and City assessments of $82,029.

Expenses totaled $304,787 for the year ended June 30, 2005, a 4 percent decrease from the prior year, and included $76,683 for employee salaries and benefits, $16,504 for long range planning and engineering and $47,179 for closure and postclosure care.

This report contains recommendations to Commission officials to improve controls over investments and receipts by segregating accounting duties to the extent possible.

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, 2005

Table of Contents

Fremont County Landfill Commission

Officials

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
Mike Lundy	Member	City of Riverton
Chuck Larson	Member	Board of Supervisors
Michael Fox	Manager	
Bonnie Ward	Scale Operator	

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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, 2005. 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 basic financial statements 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, 2005, 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 13, 2006 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 13, 2006

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 2005. 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 $14,880, from fiscal 2004 to fiscal 2005. Gate fees decreased slightly while County and City assessments increased.
- The Commission's operating expenses were 4%, or $13,618, less in fiscal 2005 than in fiscal 2004.
- The Commission's net assets increased 85%, or $61,321, from June 30, 2004 to June 30, 2005.

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 the user 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 2005 totaled $133,176. This compares to $71,855 at the end of fiscal 2004. A summary of the Commission's net assets is presented below.

Net Assets		
	June 30,	
	2005	2004
Assets		
Current assets	$ 302,060	305,941
Restricted cash and investments	233,459	161,541
Capital assets at cost, less accumulated depreciation	325,357	342,137
Total assets	860,876	809,619
Liabilities		
Current liabilities	63,426	79,974
Noncurrent liabilities	664,244	657,790
Total liabilities	727,670	737,764
Net assets		
Invested in capital assets, net of related debt	202,318	178,374
Restricted for tonnage fees retained	15,810	10,962
Unrestricted	(84,952)	(117,481)
Total net assets	$ 133,176	71,855

The largest portion of the Commission's net assets is the 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. The remaining net assets are the unrestricted net assets, which reflect a deficit balance to the extent the Commission has reported noncurrent liabilities for landfill closure and postclosure care. Each fiscal year, the Commission increases the amount set aside for closure and postclosure care. For the year ended June 30, 2005, this caused an increase in restricted cash and investments and unrestricted net assets. Overall result is a $61,321 increase to total net assets.

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 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, 2005 and 2004 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2005	2004
Operating revenues:		
Gate fees	$ 271,287	290,829
County and city assessments	82,029	77,367
Total operating revenues	353,316	368,196
Operating expenses:		
Salaries and benefits	76,683	64,900
Closure and postclosure care	47,179	71,201
Depreciation	61,923	59,020
Iowa Department of Natural Resources tonnage fees	13,237	13,234
Other operating expenses	97,974	102,259
Total operating expenses	296,996	310,614
Operating income	56,320	57,582
Non-operating revenues (expenses), net	5,001	(231)
Increase in net assets	61,321	57,351
Net assets beginning of year	71,855	14,504
Net assets end of year	$ 133,176	71,855

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

In fiscal 2005, operating revenues decreased by $14,880, or 4%, primarily a result of gate fees decreasing by $19,542 due to a decrease in the volume of collections. Operating expenses also decreased by $13,618, or 4%. The decrease was primarily a result of a decrease in estimated current costs for closure and postclosure care of $24,022.

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 provided by investing activities includes the purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2005, the Commission had approximately $325,000 invested in capital assets, net of accumulated depreciation of approximately $466,000. Depreciation charges totaled $61,923 for fiscal 2005. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2005, the Commission had $123,039 in capital lease agreements outstanding, a decrease of $40,724 from 2004. 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 has continued to improve its financial position during the current fiscal year. 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 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, 2005

Assets	
Current assets:	
Cash	$ 232,805
Receivables:	
Accounts	59,912
Accrued interest	202
Due from other governments	8,217
Prepaid insurance	894
Total current assets	302,030
Noncurrent assets:	
Restricted cash	15,810
Restricted investments	217,649
Capital assets (net of accumulated depreciation)	325,357
Total noncurrent assets	558,816
Total assets	860,846
Liabilities	
Current liabilities:	
Accounts payable	8,989
Salaries and benefits payable	1,995
Due to other governments	3,313
Current portion of capital lease agreements payable	48,515
Compensated absences	614
Total current liabilities	63,426
Non-current liabilities:	
Capital lease agreements payable	74,524
Landfill closure and postclosure care	589,720
Total noncurrent liabilities	664,244
Total liabilities	727,670
Net Assets	
Invested in capital assets, net of related debt	202,318
Restricted for tonnage fees retained	15,810
Unrestricted	(84,952)
Total net assets	$ 133,176

See notes to financial statements.

Fremont County Landfill Commission

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2005

Operating revenues:	
Gate fees	$ 271,287
County and city assessments	82,029
Total operating revenues	353,316
Operating expenses:	
Salaries and benefits	76,683
Machinery maintenance, labor and parts	12,422
Oil and gas	15,354
Long range planning and engineering	16,504
Site maintenance	9,235
Site utilities	5,628
Office operation	1,606
Training and travel	1,286
Legal and accounting	12,057
Insurance	11,383
Closure and postclosure care	47,179
Planning and recycling expenses	6,182
Iowa Department of Natural Resources tonnage fees	13,237
Depreciation	61,923
Sales tax	5,801
Miscellaneous	516
Total operating expenses	296,996
Operating income	56,320
Non-operating revenues (expenses):	
Interest income	12,757
Interest expense	(7,791)
Miscellaneous	35
Net non-operating revenues	5,001
Change in net assets	61,321
Net assets beginning of year	71,855
Net assets end of year	$ 133,176

See notes to financial statements.

Fremont County Landfill Commission

Statement of Cash Flows

Year ended June 30, 2005

Cash flows from operating activities:	
Cash received from gate fees	$ 237,250
Cash received from assessments	83,674
Cash paid to suppliers for goods and services	(135,764)
Cash paid to employees for services	(66,294)
Net cash provided by operating activities	118,866
Cash flows from non-capital financing activities:	
Cash received from lawsuit settlement	35
Cash flows from capital and related financing activities:	
Principal paid on capital lease agreements	(40,724)
Interest paid on capital lease agreements	(7,791)
Purchase of capital assets	(45,143)
Net cash used by capital and related financing activities	(93,658)
Cash flows from investing activities:	
Purchase of certificates of deposit	(119,394)
Interest received	12,735
Net cash used by investing activities	(106,659)
Net decrease in cash and cash equivalents	(81,416)
Cash and cash equivalents beginning of year	330,031
Cash and cash equivalents end of year	$ 248,615
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 56,320
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	61,923
Closure and postclosure care	47,179
Changes in assets and liabilities:	
(Increase) in receivables	(32,400)
Decrease in prepaid expenses	2,392
(Decrease) in payables	(17,384)
Increase in salaries and benefits payable	835
Increase in compensated absenses	1
Total adjustments	62,546
Net cash provided by operating activities	$ 118,866

See notes to financial statements.

Fremont County Landfill Commission

Notes to Financial Statements

June 30, 2005

(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 one representative 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, 2005 include certificates of deposit of $217,649.

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, 2005.

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, 2005.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2005 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, 2005, 2004 and 2003. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were $3,758, $2,985 and $2,918, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets at June 30, 2005 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
Capital assets being depreciated:				
Buildings	60,837	4,195	-	65,032
Equipment and vehicles	618,263	3,115	-	621,378
Infrastructure	-	37,833	-	37,833
Total capital assets being depreciated	679,100	45,143	-	724,243
Less accumulated depreciation for:				
Buildings	31,519	1,884	-	33,403
Equipment and vehicles	372,515	58,620	-	431,135
Infrastructure	-	1,419	-	1,419
Total accumulated depreciation	404,034	61,923	-	465,957
Total capital assets being depreciated, net	275,066	(16,780)	-	258,286
Total capital assets, net	$ 342,137	(16,780)	-	325,357

Equipment with a total cost of $339,666 was acquired under capital lease agreements. Accumulated depreciation on this equipment totals $165,250, including $48,524 of depreciation expense for the year ended June 30, 2005.

(5) Capital Lease Agreements

The Commission has entered into capital lease agreements to lease a scraper and a grader. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 4.25% to 4.75% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2005:

Year Ending June 30,	Scraper	Grader	Total
2006	$ 37,455	11,060	48,515
2007	37,455	11,060	48,515
2008	37,455	-	37,455
Total minimum lease payments	112,365	22,120	134,485
Less amount representing interest	(10,087)	(1,359)	(11,446)
Present value of net minimum lease payments	$ 102,278	20,761	123,039

Payments under capital lease agreements totaled $48,515 for the year ended June 30, 2005.

(6) Closure and Postclosure Care Costs

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 $248,689 for closure and $570,020 for postclosure care, for a total of $818,709 as of June 30, 2005, and the portion of the liability that has been recognized is $589,720. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2005. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 10 years and the capacity used at June 30, 2005 is 68 percent.

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, 2005, assets of $217,649 are restricted for these purposes, of which $76,018 is for closure and $141,631 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, 2005, the unspent amounts retained by the Commission and restricted for the required purposes totaled $15,810, which is included in restricted cash on the Statement of Net Assets.

(8) Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

(9) Subsequent Event

The Fremont County Landfill Commission plans to modify all existing cells by October 1, 2007 in order to comply with minimum liner standards established by the Environmental Protection Agency and adopted by the Iowa Department of Natural Resources. The Commission plans to use existing resources to finance these activities.

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

Fremont County Landfill Commission

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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

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

To the Members of the Fremont
County Landfill Commission:

We have audited the accompanying financial statements of the Fremont County Landfill Commission as of and for the year ended June 30, 2005, and have issued our report thereon dated January 13, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fremont County Landfill Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (C) 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 certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2005 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.

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

January 13, 2006

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

(A) Segregation of Duties – One important aspect of internal accounting 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) Receipts – mail opening, collecting, depositing, journalizing, posting and maintaining accounts receivable.

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 – Due to a lack of number of office employees it is not possible for us to segregate duties any further.

Conclusion – Response acknowledged. The Commission should identify a Commission member to periodically review the transactions and balances to obtain the maximum internal control possible.

(B) Capital Assets – Although the Commission has used a consistent depreciation method and useful lives, a formal policy has not been adopted to establish the depreciation method and useful lives.

Recommendation – The Commission should adopt a written depreciation policy to set consistent useful lives and the method to be used to depreciate capital assets.

Response – The Manager will present to the accountant serial numbers for each piece of equipment and that number will serve as each equipments individual identification. Manager will also determine each equipment's life expectancy from date of purchase.

The Landfill Commission will adopt a policy stating the straight line method will be used as the depreciation method.

Conclusion – Response acknowledged. The Landfill Commission should also adopt a policy to set consistent useful life estimates for use in depreciating assets.

(C) Reconciliation of Billings, Collections and Delinquencies – Charge account billings, collections and delinquent accounts were not reconciled.

Recommendation – Procedures should be established to reconcile customer billings, collections and delinquencies monthly. The Agency should review the reconciliations, monitor delinquencies and approve write-offs of uncollectible accounts.

Response – The Landfill Commission will adopt a procedure for reviewing accounts receivable quarterly and Sidney Tax & Accounting will reconcile the customer billings, collections and delinquencies monthly.

Conclusion – Response acknowledged. The Commission should also review the reconciliation of customer billings, collections and delinquencies monthly.

Other Findings Related to Required Statutory Reporting:

(1) Official Depositories – A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

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

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

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

(5) 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.

(6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2005, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

(7) 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.

(8) 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.

Fremont County Landfill Commission

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Sheila M. Jensen, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State