

**SAMPLE ACCRUAL COUNTY LANDFILL ASSOCIATION**

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

**JUNE 30, 2011**

Office of  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
**Auditor of State**





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

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Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client. This sample is prepared based on an Association providing solid waste services on the basis of an agreement between several municipalities and a county government, as provided for in Chapter 28E of the Code of Iowa.

Audits of landfill associations should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format displays the basic financial statements, required supplementary information and the Schedule of Findings which are necessary to meet the requirements of this office. The detail presented in the financial statements is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Association feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Associations with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Association's cognizant or oversight agency.

In accordance with OMB Circular A-133, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/sac/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated emails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

In December 2008, the Securities and Exchange Commission adopted an amendment to its Rule 15c2-12 governing ongoing disclosure by municipalities to the bond markets. The amendment was effective July 1, 2009 and widened those issuers subject to the ongoing filing requirements and now virtually any municipality which issues more than one million dollars of

securities per issue is subject to an ongoing filing responsibility. The amendment requires, in part, all continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (PDF) and, effective January 1, 2010, such filings must be in a word-searchable PDF (not scanned) format.

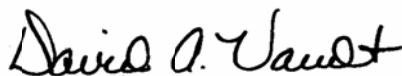
The findings on compliance, items (1) through (6), detail those items which are to be included regardless of whether there are instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported. An example of a finding for non-compliance with financial assurance requirements is included in the additional notes section.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Association for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the Association and a copy should be sent to this office with two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this office.

In accordance with Chapter 11 of the Code of Iowa, this office is to be notified immediately regarding any suspected embezzlement or theft.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the State.



DAVID A. VAUDT, CPA  
Auditor of State

**Office of Auditor of State**

**Report Filing Requirements**

**Paper Copy Submission**

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this office upon release to the Association within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State  
State Capitol Building  
Room 111  
1007 East Grand Avenue  
Des Moines, Iowa 50319-0001

One copy of the audit report should be filed with the Iowa Department of Natural Resources.

**Electronic Submission**

The Association or CPA firm must also e-mail a PDF copy of the audit report to the Auditor of State's Office to:

[SubmitReports@auditor.state.ia.us](mailto:SubmitReports@auditor.state.ia.us)

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

**Filing Fee Submission**

The filing fee should be mailed separately to:

Office of Auditor of State  
PO Box 333  
Des Moines, Iowa 50302-0333

The designated budget strata and applicable filing fees are as follows:

<u>Budgeted Expenditures in Millions of Dollars</u>	<u>Filing Fee Amount</u>
Under 1	\$100.00
At least 1 but less than 3	\$175.00
At least 3 but less than 5	\$250.00
At least 5 but less than 10	\$425.00
At least 10 but less than 25	\$625.00
25 and over	\$850.00

## **Sample Accrual County Landfill Association**

### **Outline of Major Changes**

- A. Revised the Iowa Public Employees Retirement System (IPERS) note disclosure (Note 3) for changes in the contribution rates effective July 1, 2010.

## Additional Notes

1. If the Association has deposits in credit unions at June 30, 2011, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the Association or the Association's agent in the Association's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
2. If the Association has not properly complied with Chapter 567-113.14(6) of the Iowa Administrative Code in demonstrating financial assurance for closure and postclosure care costs, then the Schedule of Findings should include a finding, such as:

Financial Assurance – The Association has not demonstrated financial assurance for closure and postclosure care costs as required by Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure	Postclosure Care
Total estimated costs for closure and postclosure care	\$ 346,166	339,770
Less: Balance of funds held in the local dedicated fund at June 30, 2010	(308,000)	(213,059)
	38,166	126,711
Divided by the number of years remaining in the pay-in period	÷ 1	1
Required payment into the local dedicated fund for the year ended June 30, 2011	38,166	126,711
Balance of funds held in the local dedicated fund at June 30, 2010	308,000	213,059
Required balance of funds to be held in the local dedicated fund at June 30, 2011	\$ 346,166	339,770
Amount Association has restricted for closure and postclosure care at June 30, 2011	\$ 345,000	335,000

Recommendation – The Association should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Administrative Code requirements.

3. Following is an example footnote for an early retirement or other benefit plan or policy that meets the definition of a "termination benefit" as defined by GASB Statement No. 47.

### **Sample Note – Termination Benefits**

In September 2009, the Association approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the Association and must have reached the age of fifty-five on or before June 30, 2010. The application for early retirement was subject to approval by the Association Board.

Early retirement benefits equal 60% of the employee's salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$30,000.

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The policy requires early retirement benefits be paid in three equal installments beginning January 1, 2011. The second and third payments will be paid July 1, 2011 and July 1, 2012, respectively.

At June 30, 2011, the City has obligations to three participants with a total liability of \$51,284. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$25,642.

4. If the Association operates a transfer station, disclosure of the closure care costs should be included in the Notes to Financial Statements. In addition, the Schedule of Findings should include a finding indicating whether the Association has demonstrated financial assurance for closure care costs of the transfer station. Following is an example footnote for transfer station closure care.

#### **Transfer Station Closure Care**

To comply with state regulations, the Association is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Association is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

The total closure care costs for the Association as of June 30, 2011 have been estimated at \$9,830. The balance has been restricted and is fully funded at June 30, 2011.

5. Because the Association presented in this sample report is participating in the Sample County OPEB plan rather than maintaining its own OPEB plan, the RSI required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is not presented in this sample report. Instead, it is included in the sample report for Sample County.
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NEWS RELEASE

Contact:

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

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

The Association had total revenues of \$\_\_\_\_\_ for the year ended June 30, 2011, a(n) \_\_\_\_\_ % increase (decrease) from the prior year. The revenues included gate fees of \$\_\_\_\_\_ and County and City assessments of \$\_\_\_\_\_.

Expenses totaled \$\_\_\_\_\_, a(n) \_\_\_\_\_ % increase (decrease) from the prior year, and included \$\_\_\_\_\_ for \_\_\_\_\_ a \_\_\_\_\_, \$\_\_\_\_\_ for \_\_\_\_\_ b \_\_\_\_\_, and \$\_\_\_\_\_ for \_\_\_\_\_ c \_\_\_\_\_. (a,b,c – the three highest expense totals) The significant increase (decrease) in revenues and expenses is due primarily to \_\_\_\_\_.

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

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**SAMPLE ACCRUAL COUNTY LANDFILL ASSOCIATION**

**INDEPENDENT AUDITOR'S REPORTS  
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**JUNE 30, 2011**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	6-9
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Assets	A      12
Statement of Revenues, Expenses and Changes in Net Assets	B      13
Statement of Cash Flows	C      14
Notes to Financial Statements	15-20
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>	23-24
Schedule of Findings	25-28
Staff	29

## Sample Accrual County Landfill Association

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dwight Lewis	Chairperson	Sample Accrual County
Susan Greene	Vice-Chairperson	City of Big Bluffs
Carroll Jensen	Member	City of Cloudy Springs
Jacob McCoy	Member	City of Northdale
Glen Schmitz	Member	City of Coolville
Leon Collins	Member	City of Park Lake
Jay Bird	Member	City of Harrisburg
Martin Wright	Member	City of River Falls
Eileen Johnson	Member	City of Blakestown
Jennifer Fiddelke	Member	City of Round Lake
Jesse Miller	Member	City of Jackson
David Stewart	Member	City of Green Valley
Richard Carson	Manager	
Judy Clark	Secretary	

**Sample Accrual County Landfill Association**



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Independent Auditor's Report

To the Members of the Sample Accrual  
County Landfill Association:

We have audited the accompanying financial statements of the Sample Accrual County Landfill Association as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Sample Accrual County Landfill Association at June 30, 2011, 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 October 20, 2011 on our consideration of the Sample Accrual County Landfill Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA  
Auditor of State

October 20, 2011

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

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The Sample Accrual County Landfill Association provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30 2011. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- ◆ The Association's operating revenues increased 19%, or \$97,257, from fiscal year 2010 to fiscal year 2011. Gate fees and County and City assessments increased and other revenues decreased.
- ◆ The Association's operating expenses were 8%, or \$33,071, more in fiscal year 2011 than in fiscal year 2010.
- ◆ The Association's net assets increased 28%, or \$181,005, from June 30, 2010 to June 30, 2011.

### **USING THIS ANNUAL REPORT**

The Sample Accrual County Landfill Association is a 28E organization and presents its financial statements using the economic resources measurement focus and 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 Sample Accrual County Landfill Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

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

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

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

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

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

## FINANCIAL ANALYSIS OF THE ASSOCIATION

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Association's financial position. The Association's net assets at the end of fiscal year 2011 totaled approximately \$817,000. This compares to approximately \$636,000 at the end of fiscal year 2010. A summary of the Association's net assets is presented below.

	Net Assets	
	June 30,	
	2011	2010
Current assets	\$ 683,780	616,393
Restricted investments	690,000	575,000
Capital assets at cost, less accumulated depreciation	181,850	185,695
Total assets	<u>1,555,630</u>	<u>1,377,088</u>
Current liabilities	46,945	167,427
Noncurrent liabilities	691,429	573,410
Total liabilities	<u>738,374</u>	<u>740,837</u>
Net assets:		
Invested in capital assets, net of related debt	116,499	120,113
Restricted	45,273	66,941
Unrestricted	655,484	449,197
Total net assets	<u>\$ 817,256</u>	<u>636,251</u>

The unrestricted portion of the Association's net assets (80%) may be used to meet the Association's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net assets (14%) are resources allocated to capital assets. The remaining net assets are restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Association 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.

*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, 2011 and 2010 is presented below.

	Changes in Net Assets	
	Year ended June 30,	
	2011	2010
Operating revenues:		
Gate fees	\$ 483,148	394,312
County and city assessments	122,040	101,318
Other operating revenues	4,974	17,275
Total operating revenues	<u>610,162</u>	<u>512,905</u>
Operating expenses:		
Salaries	119,134	110,275
Employee benefits	32,765	32,612
Machinery maintenance, labor and parts	5,812	3,917
Oil and gas	7,102	7,009
Long range planning and engineering	9,125	8,742
Site maintenance	6,084	6,000
Site utilities	3,952	3,903
Office expenses	4,155	5,022
Training and travel	382	312
Legal and accounting	3,250	3,250
Insurance	11,593	10,975
Closure and postclosure care	185,636	165,750
Planning and recycling	1,600	1,600
Iowa Department of Natural Resources tonnage fees	23,815	20,912
Depreciation	25,746	26,111
Non-capitalized equipment	1,183	932
Sales tax	2,863	2,700
Miscellaneous	2,897	4,001
Total operating expenses	<u>447,094</u>	<u>414,023</u>
Operating income	<u>163,068</u>	<u>98,718</u>
Non-operating revenues (expenses):		
Interest income	22,721	17,300
Interest expense	(4,784)	(6,238)
Net non-operating revenues	<u>17,937</u>	<u>11,062</u>
Change in net assets	181,005	109,780
Net assets beginning of year	<u>636,251</u>	<u>526,471</u>
Net assets end of year	<u>\$ 817,256</u>	<u>636,251</u>

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 year 2011, operating revenues increased \$97,257, or 19%, primarily a result of gate fees increasing approximately \$89,000 due to an increase in the volume of collections. Operating expenses increased \$33,071, or 8%. The increase was primarily a result of estimated closure and postclosure care increasing approximately \$20,000 and expenses for other postemployment benefits of approximately \$8,000.

### *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, 2011, the Association had approximately \$182,000 invested in capital assets, net of accumulated depreciation of approximately \$252,000. Depreciation expense totaled \$25,746 for fiscal year 2011. More detailed information about the Association's capital assets is presented in Note 5 to the financial statements.

## **LONG-TERM DEBT**

At June 30, 2011, the Association had \$65,351 in a capital lease purchase agreement outstanding, a decrease of \$30,875 from June 30, 2010. Additional information about the Association's long-term debt is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS**

The Sample Accrual County Landfill Association 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 Association officials. Some of the realities which may potentially become challenges for the Association to meet are:

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

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

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sample Accrual County Landfill Association, P.O. Box 123 Main Street, Anywhere, Iowa 50000.

**Sample Accrual County Landfill Association**

## **Basic Financial Statements**

**Exhibit A**

## Sample Accrual County Landfill Association

## Statement of Net Assets

June 30, 2011

**Assets**

## Current assets:

Cash and cash equivalents	\$ 206,533
Investments	417,758
Receivables:	
Accounts	46,933
Accrued interest	9,639
Prepaid insurance	2,917
Total current assets	<u>683,780</u>

## Noncurrent assets:

Restricted investments	690,000
Capital assets (net of accumulated depreciation)	181,850
Total noncurrent assets	<u>871,850</u>

**Total assets**1,555,630**Liabilities**

## Current liabilities:

Accounts payable	11,177
Salaries and benefits payable	3,067
Current portion of capital lease purchase agreement payable	31,879
Compensated absences	822
Total current liabilities	<u>46,945</u>

## Noncurrent liabilities:

Capital lease purchase agreement payable	33,472
Landfill closure and postclosure care	649,727
Net OPEB liability	8,230
Total noncurrent liabilities	<u>691,429</u>

**Total liabilities**738,374**Net assets**

Invested in capital assets, net of related debt	116,499
Restricted for:	
Tonnage fees retained	5,000
Closure and postclosure care	40,273
Unrestricted	655,484
Total net assets	<u>\$ 817,256</u>

See notes to financial statements.

Sample Accrual County Landfill Association

Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2011

Operating revenues:	
Gate fees	\$ 483,148
County and city assessments	122,040
Other operating revenues	4,974
Total operating revenues	<u>610,162</u>
Operating expenses:	
Salaries	119,134
Employee benefits	32,765
Machinery maintenance, labor and parts	5,812
Oil and gas	7,102
Long range planning and engineering	9,125
Site maintenance	6,084
Site utilities	3,952
Office expenses	4,155
Training and travel	382
Legal and accounting	3,250
Insurance	11,593
Closure and postclosure care	185,636
Planning and recycling	1,600
Iowa Department of Natural Resources tonnage fees	23,815
Depreciation	25,746
Non-capitalized equipment	1,183
Sales tax	2,863
Miscellaneous	2,897
Total operating expenses	<u>447,094</u>
Operating income	<u>163,068</u>
Non-operating revenues (expenses):	
Interest income	22,721
Interest expense	(4,784)
Net non-operating revenues	<u>17,937</u>
Change in net assets	181,005
Net assets beginning of year	<u>636,251</u>
Net assets end of year	<u>\$ 817,256</u>

See notes to financial statements.

## Sample Accrual County Landfill Association

## Statement of Cash Flows

Year ended June 30, 2011

Cash flows from operating activities:	
Cash received from gate fees	\$ 475,992
Cash received from assessments	122,040
Cash received from other operating receipts	4,974
Cash paid to suppliers for goods and services	(93,139)
Cash paid to employees for services	(144,455)
Net cash provided by operating activities	<u>365,412</u>
Cash flows from capital and related financing activities:	
Principal paid on capital lease purchase agreement	(30,875)
Interest paid on capital lease purchase agreement	(4,270)
Purchase of capital assets	(25,291)
Net cash used by capital and related financing activities	<u>(60,436)</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(597,011)
Interest received	13,082
Net cash used by investing activities	<u>(583,929)</u>
Net decrease in cash and cash equivalents	(278,953)
Cash and cash equivalents beginning of year	<u>485,486</u>
Cash and cash equivalents end of year	<u>\$ 206,533</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 163,068
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	25,746
Closure and postclosure care	185,636
Changes in assets and liabilities:	
Increase in accounts receivable	(7,156)
Decrease in prepaid insurance	654
Decrease in accounts payable	(9,980)
Decrease in salary and benefits payable	(713)
Decrease in compensated absences	(73)
Increase in other postemployment benefits	8,230
Total adjustments	<u>202,344</u>
Net cash provided by operating activities	<u>\$ 365,412</u>

See notes to financial statements.

Sample Accrual County Landfill Association

Notes to Financial Statements

June 30, 2011

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

The Sample Accrual County Landfill Association was formed in 1983 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Association is to operate the sanitary landfill in Sample Accrual County for use by all residents of the County.

The Association is composed of one representative from each of the eleven member cities and one representative from Sample Accrual County. The member cities are: Big Bluffs, Cloudy Springs, Northdale, Coolville, Park Lake, Harrisburg, River Falls, Blakestown, Round Lake, Jackson and Green Valley. Each member is entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

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

A. Reporting Entity

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

B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

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

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

The Association distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

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

Cash, Investments and Cash Equivalents – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2011 include certificates of deposit of \$1,107,758.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 25,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	40-50
Building improvements	20-50
Equipment and vehicles	2-20

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, 2011.

Compensated Absences – Association employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Association's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2011.

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

The Association's deposits in banks at June 30, 2011 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 Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association 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 Association contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits 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 4.50% of their annual covered salary and the Association is required to contribute 6.95% of covered salary. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$3,549, \$3,440 and \$3,989, respectively, equal to the required contributions for each year.

## **(4) Other Postemployment Benefits (OPEB)**

The Association participates in the Sample County postretirement medical plan (OPEB). The OPEB plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The actuarial valuation of liabilities under the OPEB plan is calculated using the unit credit actuarial cost method as of the July 1, 2008 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$655,000 for Sample County as of June 30, 2011. The Association's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB plan are available in Sample County's audit report for the year ended June 30, 2011. The report may be obtained by writing to the Sample County's Auditor's Office, 101 Main Street, Anywhere, Iowa 50000.

The Association recognized a net OPEB liability of \$8,230 for other postemployment benefits, which represents the Association's portion of Sample County's net OPEB obligation. The Association's portion of the net OPEB obligation was calculated using the ratio of full-time equivalent employees of the Association compared to full-time equivalent employees of Sample County.

**(5) Capital Assets**

A summary of capital assets at June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 47,159	-	-	47,159
Capital assets being depreciated:				
Buildings	36,240	-	-	36,240
Equipment and vehicles	341,040	25,291	(15,890)	350,441
Total capital assets being depreciated	377,280	25,291	(15,890)	386,681
Less accumulated depreciation for:				
Buildings	17,214	906	-	18,120
Equipment and vehicles	221,530	24,840	(12,500)	233,870
Total accumulated depreciation	238,744	25,746	(12,500)	251,990
Total capital assets being depreciated, net	138,536	(455)	(3,390)	134,691
Total capital assets, net	\$ 185,695	(455)	(3,390)	181,850

Equipment costing \$130,857 was purchased under a capital lease purchase agreement. Accumulated depreciation on this equipment totals \$32,714, including \$18,694 of depreciation for the year ended June 30, 2011.

**(6) Leases**

The land used by the Association for its landfill site was leased from Sample County beginning January 1, 1993 for a one time fee of one dollar for a period of twenty years. The lease has been extended for a period of ten years from its original expiration date.

The Association entered into a capital lease purchase agreement for a John Deere scraper. The agreement is for a period of 4 years at an interest rate of 5% per annum and expires in fiscal year 2013. 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
2012	\$ 31,879	3,266	35,145
2013	33,472	1,673	35,145
Total	<u>\$ 65,351</u>	<u>4,939</u>	<u>70,290</u>

Payments under this agreement for the year ended June 30, 2011 totaled \$35,145.

**(7) Closure and Postclosure Care**

To comply with federal and state regulations, the Association is required to complete a monitoring system plan and a closure/postclosure 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 Association have been estimated at \$237,522 and \$190,624 for closure and postclosure care, respectively, for Cell A and \$342,911 and \$316,928 for closure and postclosure care, respectively, for Cell B, for a total of \$1,087,985 as of June 30, 2011, and the portion of the liability that has been recognized is \$649,727. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of Cell B is 24 years. The capacity used at June 30, 2011 in Cell A is 100 percent and Cell B is 34 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Association has begun accumulating resources to fund these costs and, at June 30, 2011, assets of

\$690,000 are restricted for these purposes, of which \$350,000 is for closure and \$340,000 is for postclosure care. They are reported as restricted investments in the Statement of Net Assets.

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

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

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

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

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

#### **(8) Solid Waste Tonnage Fees Retained**

The Association has established an account for restricting and using solid waste tonnage fees retained by the Association in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2011, the unspent amounts retained by the Association and restricted for the required purposes totaled \$5,000.

#### **(9) Risk Management**

The Association 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 Association assumes liability for any deductibles and claims in excess of coverage limitations.

**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**

**Sample Accrual County Landfill Association**



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

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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 Sample Accrual  
County Landfill Association:

We have audited the accompanying financial statements of the Sample Accrual County Landfill Association as of and for the year ended June 30, 2011, and have issued our report thereon dated October 20, 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 Sample Accrual County Landfill Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sample Accrual County Landfill Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sample Accrual County Landfill Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a 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 Sample Accrual County Landfill Association's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Sample Accrual County Landfill Association's internal control described in the accompanying Schedule of Findings as items (A), (B) and (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sample Accrual County Landfill Association'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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Sample Accrual County Landfill Association's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Association's responses, we did not audit the Sample Accrual County Landfill Association's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Sample Accrual County Landfill Association and other parties to whom the Association may report and 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 Sample Accrual County Landfill Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA  
Auditor of State

October 20, 2011

Sample Accrual County Landfill Association

Schedule of Findings

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Association:

- (1) Accounting system – record keeping for revenues, expenses and related reporting.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to master list, preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Association should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing available staff and officials.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager or a Board Member review receipts, posting and payroll on a test basis.

Conclusion – Response accepted.

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

Recommendation – The Association should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Association's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

- (C) Reconciliation of Billings, Collections and Delinquencies – Billings, collections and delinquent accounts were not reconciled each month.

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

Sample Accrual County Landfill Association

Schedule of Findings

Year ended June 30, 2011

Response – A monthly reconciliation will be prepared and reviewed by the Association. Delinquent accounts will be reviewed and write-offs of uncollectible accounts will be approved.

Conclusion – Response accepted.

- (D) Expenses – Certain invoices were not properly marked “paid” to help prevent possible duplicate payment of invoices.

Recommendation – All paid invoices should be marked or stamped “paid” with the date of payment to aid in preventing possible duplicate payment of invoices.

Response – Invoices will all be marked paid.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Sample Accrual County Landfill Association

Schedule of Findings

Year ended June 30, 2011

**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 of money for travel expenses of spouses of Association officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not. However, the minutes did not always indicate the vote of each member present.

Recommendation – The Association should ensure the minutes indicate the vote of each member present as required by Chapter 21 of the Code of Iowa.

Response – This recommendation will be followed at future Board meetings.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted, except as follows:

The Association has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Association should adopt a written investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – On October 13, 2011, the Association adopted a written investment policy as required.

Conclusion – Response accepted.

- (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.

Sample Accrual County Landfill Association

Schedule of Findings

Year ended June 30, 2011

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

	Cell A	Cell B
Total estimated costs for closure and postclosure care	\$ 428,146	659,839
Less: Balance of funds held in the local dedicated fund at June 30, 2010	(397,285)	(123,774)
	<u>30,861</u>	<u>536,065</u>
Divided by the number of years remaining in the pay-in period	÷ 1	4
Required payment into the local dedicated fund for the year ended June 30, 2011	30,861	134,016
Balance of funds held in the local dedicated fund at June 30, 2010	<u>397,285</u>	<u>123,774</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2011	<u>\$ 428,146</u>	<u>257,790</u>
Amount Association has restricted for closure and postclosure care at June 30, 2011	<u>\$ 430,000</u>	<u>260,000</u>

Sample Accrual County Landfill Association

Staff

This audit was performed by:

John Q. Reviewer, CPA, Manager  
Jerome Warning, CPA, Senior Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State