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

Contact: Andy Nielsen
515/281-5834

FOR RELEASE March 8, 2010

Auditor of State David A. Vaudt today released an audit report on the Jackson County Sanitary Disposal Agency.

The Agency had total revenues of $804,190 for the year ended June 30, 2009, a 3.8 percent decrease from the prior year. Revenues included gate fees of $476,773 and county and city assessments of $304,065.

Expenses totaled $852,656 for the year ended June 30, 2009, a 1.1 percent decrease from the prior year, and included $255,434 for employee salaries and benefits, $211,545 for tipping fees, $106,157 for recycling subsidies, $103,008 for depreciation and $52,119 for transportation fees.

A copy of the audit report is available for review at the Jackson County Sanitary Disposal Agency, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/index.html.

# # #

JACKSON COUNTY SANITARY DISPOSAL AGENCY

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

JUNE 30, 2009

0914-2326-B00F

Table of Contents

Jackson County Sanitary Disposal Agency

Officials

Name	Title	Representing
Richard Rossmann	Chair	District F
Rob Deegan	Vice-Chair	District A
Tom Messerli	Secretary	District H
Gary Beedle	Member	District B
Jim Roling	Member	District C
Loras Kilburg	Member	District D
James Long	Member	District E
Albert Mangler	Member	District G
Buck Koos	Member	Board of Supervisors
Mark Beck	Director	
Karisa Brown	Recording Secretary	

Jackson County Sanitary Disposal Agency

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Independent Auditor's Report

To the Members of the Jackson
County Sanitary Disposal Agency:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jackson County Sanitary Disposal Agency at June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2010 on our consideration of the Jackson County Sanitary Disposal Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 15, 2010

Jackson County Sanitary Disposal Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Jackson County Sanitary Disposal Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30 2009. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 3%, or $20,593, from fiscal 2008 to fiscal 2009.
- The Agency's operating expenses decreased 1%, or $6,726, from fiscal 2008 to fiscal 2009.
- The Agency's net assets decreased 5%, or $48,466, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The Jackson County Sanitary Disposal Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Jackson County Sanitary Disposal Agency'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 Agency's financial activities.

The Statement of Net Assets presents information on the Agency'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 Agency 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 Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency'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 Agency's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Agency 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 AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets at the end of fiscal 2009 totaled approximately $858,000. This compares to approximately $907,000 at the end of fiscal 2008. A summary of the Agency's net assets is presented below.

Net Assets			
		June 30,	
		2009	2008
Current assets	$	355,318	380,631
Restricted investments		221,776	233,916
Capital assets at cost, less accumulated depreciation		565,968	646,617
Total assets		1,143,062	1,261,164
Current liabilities		63,144	60,320
Noncurrent liabilities		221,776	294,236
Total liabilities		284,920	354,556
Net assets:			
Invested in capital assets, net of related debt		505,648	528,839
Unrestricted		352,494	377,769
Total net assets	$	858,142	906,608

The invested in capital assets (e.g., buildings and equipment) are resources allocated to capital assets. The remaining net assets are unrestricted net assets which can be used to meet the Agency's obligations and needs as they come due.

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 transfer station and maintain the closed landfill. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2009	2008
Operating revenues:		
Gate fees	$ 476,773	495,068
County and city assessments	304,065	304,065
Other operating revenues	7,333	9,631
Total operating revenues	788,171	808,764
Operating expenses:		
Salaries	166,727	157,484
Employee benefits	88,707	91,141
Machinery maintenance, labor and parts	4,855	5,304
Long range planning and engineering	1,892	5,610
Outside contracts	9,693	1,830
Site maintenance	13,117	12,924
Site utilities	12,060	12,217
Recycling subsidies	106,157	106,525
Office operations	10,813	16,359
Training and travel	9,211	10,881
Accounting and auditing	6,104	5,260
Insurance	24,915	27,774
Tipping fees	211,545	219,241
Depreciation	103,008	103,477
Transfer station	14,287	10,847
Transportation fees	52,119	57,257
Household hazardous materials disposal	7,191	5,248
Appliance and tire recycling disposal	6,001	6,299
E-Waste recycling	6,757	5,280
Miscellaneous	3,772	3,336
Adjustment to estimated costs for landfill closure and postclosure care	(12,140)	(10,777)
Total operating expenses	846,791	853,517
Operating loss	(58,620)	(44,753)
Non-operating revenues (expenses):		
Interest income	16,019	27,149
Interest expense	(5,865)	(8,592)
Total non-operating revenues (expenses)	10,154	18,557
Change in net assets	(48,466)	(26,196)
Net assets beginning of year	906,608	932,804
Net assets end of year	$ 858,142	906,608

The Statement of Revenues, Expenses and Changes in Net Assets reflects a decrease in net assets of $48,466 during fiscal 2009.

In fiscal 2009, operating revenues decreased 3%, or $20,593, from fiscal 2008 due to a decrease in materials received, resulting in a decrease in gate fees. Operating expenses decreased 1%, or $6,726, from fiscal 2008 to fiscal 2009.

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 the principal and interest paid on the capital leases. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2009, the Agency had $565,968 invested in capital assets, net of accumulated depreciation of $756,721. Depreciation expense totaled approximately $103,000 for fiscal 2009. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2009, the Agency had outstanding capital leases totaling $60,320 for the purchase of two trucks and two trailers costing $287,971. More detailed information about the Agency's capital lease liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The Jackson County Sanitary Disposal Agency's officials considered many factors when setting user fees. Although the Agency's financial position declined during the current fiscal year, the Agency's officials continue to monitor the financial position of the Jackson County Sanitary Disposal Agency and have elected to maintain user fees at the current level. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Fluctuating fuel costs continue to be an unknown in the budget process.
- Aging trucks require additional maintenance and a plan to replace the trucks will need to be developed.
- During FY 2010, employees are in the process of unionizing, which may affect future salaries and benefits.

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

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jackson County Sanitary Disposal Agency, 201 W. Platt Street, Maquoketa, Iowa, 52060.

Basic Financial Statements

Jackson County Sanitary Disposal Agency

Statement of Net Assets

June 30, 2009

Assets	
Current assets:	
Cash and cash equivalents	$ 118,891
Investments	193,239
Accounts receivable	43,188
Total current assets	355,318
Noncurrent assets:	
Restricted investments	221,776
Capital assets, net of accumulated depreciation	565,968
Total noncurrent assets	787,744
Total assets	1,143,062
Liabilities	
Current liabilities:	
Salaries and benefits payable	2,824
Current portion of capital leases payable	60,320
Total current liabilities	63,144
Noncurrent liabilities:	
Landfill closure and postclosure care	221,776
Total liabilities	284,920
Net assets	
Invested in capital assets, net of related debt	505,648
Unrestricted	352,494
Total net assets	$ 858,142

See notes to financial statements.

Jackson County Sanitary Disposal Agency

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2009

Operating revenues:	
Gate fees	$ 476,773
County and city assessments	304,065
Other operating revenues	7,333
Total operating revenues	788,171
Operating expenses:	
Salaries	166,727
Employee benefits	88,707
Machinery maintenance, labor and parts	4,855
Long range planning and engineering	1,892
Outside contracts	9,693
Site maintenance	13,117
Site utilities	12,060
Recycling subsidies	106,157
Office operations	10,813
Training and travel	9,211
Accounting and auditing	6,104
Insurance	24,915
Tipping fees	211,545
Depreciation	103,008
Transfer station	14,287
Transportation fees	52,119
Household hazardous materials disposal	7,191
Appliance and tire recycling disposal	6,001
E-Waste recycling	6,757
Miscellaneous	3,772
Adjustment to estimated costs for landfill closure and postclosure care	(12,140)
Total operating expenses	846,791
Operating loss	(58,620)
Non-operating revenues (expenses):	
Interest income	16,019
Interest expense	(5,865)
Total non-operating revenues (expenses)	10,154
Change in net assets	(48,466)
Net assets beginning of year	906,608
Net assets end of year	$ 858,142

See notes to financial statements.

Jackson County Sanitary Disposal Agency

Statement of Cash Flows

Year ended June 30, 2009

Cash flows from operating activities:	
Cash received from gate fees	$ 483,216
Cash received from assessments	304,065
Cash paid to suppliers for goods and services	(500,489)
Cash paid to employees for services	(255,472)
Cash received from other operating receipts	7,333
Net cash provided by operating activities	38,653
Cash flows from capital and related financing activities:	
Purchase of capital assets	(22,359)
Principal paid on capital leases	(57,458)
Interest paid on capital leases	(5,865)
Net cash used by capital and related financing activities	(85,682)
Cash flows from investing activities:	
Purchase of certificates of deposit	(405,015)
Proceeds from redemption of certificates of deposit	399,995
Interest received	21,068
Net cash provided by investing activities	16,048
Net decrease in cash and cash equivalents	(30,981)
Cash and cash equivalents beginning of year	149,872
Cash and cash equivalents end of year	$ 118,891
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (58,620)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	103,008
Changes in assets and liabilities:	
Decrease in accounts receivable	6,443
Increase in salaries and benefits payable	(38)
(Decrease) in liability for landfill closure and postclosure care	(12,140)
Total adjustments	97,273
Net cash provided by operating activities	$ 38,653

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The Jackson County Sanitary Disposal Agency was formed in 1975 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to operate the sanitary landfill in Jackson County for use by all residents of the County.

The Agency is composed of one representative from each of the eight geographic districts and one representative from Jackson County. The representative of a District is appointed jointly by the political subdivisions within the District to be represented or is elected in an at-large election within the District. Each District shall be entitled to one vote for each 2,500 people or fraction thereof as determined by the most recent Federal Census.

The Agency'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 Jackson County Sanitary Disposal Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency'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 Agency 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 Agency. The Jackson County Sanitary Disposal Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

C. Measurement Focus

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

The Agency 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 Agency 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 Agency'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, Cash Equivalents and Investments – The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2009 include certificates of deposit of $415,015.

Restricted Investments – Funds set aside for payment of 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 Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	$ 25,000
Equipment	1,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	15-39
Equipment	5-7

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

(2) Cash, Cash Equivalents and Investments

The Agency's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

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

Plan members are required to contribute 4.10% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were $10,402, $9,164 and $8,461, respectively, equal to the required contributions for each year.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Buildings and improvements	$ 633,000	-	-	633,000
Equipment	667,330	22,359	-	689,689
Total capital assets	1,300,330	22,359	-	1,322,689
Less accumulated depreciation for:				
Buildings and improvements	244,736	16,244	-	260,980
Equipment	408,977	86,764	-	495,741
Total accumulated depreciation	653,713	103,008	-	756,721
Total capital assets, net	$ 646,617	(80,649)	-	565,968

Equipment costing $288,152 was purchased under capital lease agreements. Accumulated depreciation on this equipment totals $201,706, including $57,630 of depreciation for the year ended June 30, 2009.

(5) Capital Lease Agreements

The Agency has entered into capital lease agreements to lease two trailers and two trucks. The lease payments include interest at 4.98% per annum for both leases. The final payment for the trailers and trucks to be paid in fiscal year 2010 is $28,690 and $34,634, respectively. The present value of the trailer and truck leases at June 30, 2009 is $27,329 and $32,991, respectively.

Payments under capital lease agreements totaled $63,323 for the year ended June 30, 2009.

(6) Lease Agreement

The land used by the Agency for its landfill site was leased from Jackson County for a one time fee of $1 for a period of twenty-five years. The lease has been extended for a period of thirty years from the date of the issuance of a closure permit to allow monitoring of the site as required by law. The lease will expire on August 24, 2024.

(7) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure, 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 Jackson County Sanitary Disposal Agency have been estimated to be $212,350 and a provision for this liability has been made on the Agency's Statement of Net Assets as of June 30, 2009.

To comply with state regulations, the Agency 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 that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that 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 Agency is required to maintain a closure account as financial assurance for the closure 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 in the current period.

As of June 30, 2009, the total closure care costs for the Agency have been estimated at $9,426 and a provision for this liability has been made on the Agency's Statement of Net Assets as of June 30, 2009.

The Agency has accumulated resources to fund these liabilities and, at June 30, 2009, assets of $221,776 are restricted for these purposes. They are reported as restricted investments on the Statement of Net Assets.

(8) Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating fund at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2009 were $9,613.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $25,000, respectively. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

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 Jackson
County Sanitary Disposal Agency:

We have audited the accompanying financial statements of the Jackson County Sanitary Disposal Agency as of and for the year ended June 30, 2009, and have issued our report thereon dated February 15, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jackson County Sanitary Disposal Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Jackson County Sanitary Disposal Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jackson County Sanitary Disposal Agency'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Jackson County Sanitary Disposal Agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Jackson County Sanitary Disposal Agency's financial statements that is more than inconsequential will not be prevented or detected by the Jackson County Sanitary Disposal Agency's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Jackson County Sanitary Disposal Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jackson County Sanitary Disposal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. 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 Jackson County Sanitary Disposal Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Jackson County Sanitary Disposal Agency'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 Jackson County Sanitary Disposal Agency and other parties to whom the Agency 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 Jackson County Sanitary Disposal Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 15, 2010

Jackson County Sanitary Disposal Agency

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over opening mail, preparing deposits and recording receipts. In addition, there is no evidence bank reconciliations are reviewed.

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

Response – We will review procedures and obtain the maximum internal control with the current staff.

Conclusion – Response accepted.

(B) Electronic Data Processing Systems – The following weaknesses in the Agency's computer based systems were noted:

- The Agency does not have a written policy regarding password privacy and confidentiality.
- A time out and/or log off function is not utilized. This function will protect a terminal if left unattended.

Recommendation – The Agency should review its control activities and establish policies pertaining to its electronic data processing systems.

Response – The Agency will consider the recommendations and implement policy where deemed feasible and necessary.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

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

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

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

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

Jackson County Sanitary Disposal Agency

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Jessica P.V. Green, Assistant Auditor
Rosemary E. Nielsen, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State