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 December 10, 2003

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

The Agency had total revenues of $702,126 for the year ended June 30, 2003, which included county and city assessments of $270,212 and gate fees of $388,657. The Agency had total revenues of $651,805 for the year ended June 30, 2002, which included county and city assessments of $265,934 and gate fees of $337,995.

Expenses totaled $708,972 for the year ended June 30, 2003, which included $213,909 for tipping fees and $145,833 for transportation fees. Expenses totaled $580,395 for the year ended June 30, 2002, which included $156,530 for tipping fees and $112,242 for transportation fees.

The increase in revenues and expenses is due primarily to an increase in the volume of solid waste collected and transferred.

A copy of the audit report is available for review in the Office of Auditor of State and the Jackson County Sanitary Disposal Agency.

# # #

JACKSON COUNTY SANITARY DISPOSAL AGENCY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

JUNE 30, 2003 AND 2002

0314-2326-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 Schueller	Secretary	District H
Gary Beedle	Member	District B
Jim Roling	Member	District C
Tom Feuerbach	Member	District D
Clyde Even	Member	District E
Albert Mangler	Member	District G
Jack Willey	Member	Board of Supervisors
Mark Beck	Director	
Jan Ward	Recording Secretary	

Jackson County Sanitary Disposal Agency

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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

To the Members of the Jackson County
Sanitary Disposal Agency:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of the Jackson County Sanitary Disposal Agency as of and for the years ended June 30, 2003 and 2002. These general purpose financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jackson County Sanitary Disposal Agency at June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 8, Jackson County Sanitary Disposal Agency intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Agency's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the Agency's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2003 on our consideration of Jackson County Sanitary Disposal Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 20, 2003

Jackson County Sanitary Disposal Agency

Financial Statements

Jackson County Sanitary Disposal Agency

Balance Sheet

June 30, 2003 and 2002

	2003	2002
Assets		
Current assets:		
Cash	$ 198,009	265,985
Certificates of deposit	600,000	600,000
Accounts receivable	68,860	23,769
Accrued interest	8,377	9,691
Prepaid insurance	3,792	5,497
Total current assets	879,038	904,942
Property and equipment (note 4):		
Building and lease improvements	481,258	480,713
Equipment	278,785	235,785
	760,043	716,498
Accumulated depreciation and amortization	(369,022)	(334,882)
Property and equipment (net of accumulated depreciation and amortization)	391,021	381,616
Total assets	$ 1,270,059	1,286,558
Liabilities and Fund Equity		
Current liabilities:		
Accounts payable	$ 1,886	1,589
Non-current liabilities:		
Estimated liability for landfill closure and postclosure care costs (note 6)	267,550	277,500
Total liabilities	269,436	279,089
Fund equity:		
Unreserved retained earnings	1,000,623	1,007,469
Total liabilities and fund equity	$ 1,270,059	1,286,558

See notes to financial statements.

Jackson County Sanitary Disposal Agency

Statement of Revenues, Expenses and
Changes in Retained Earnings

Years ended June 30, 2003 and 2002

	2003	2002
Operating revenues:		
County and city assessments	$ 270,212	265,934
Gate fees	388,657	337,995
Other operating revenues	15,960	7,740
Total operating revenues	674,829	611,669
Operating expenses:		
Salaries	96,283	83,481
Employee benefits	40,793	35,038
Machinery maintenance, labor and parts	13,479	1,798
Long range planning and engineering	2,400	5,255
Outside contracts	5,626	4,339
Site maintenance	7,746	3,958
Site utilities	5,477	5,399
Recycling subsidies	105,795	98,125
Office operations	8,052	16,530
Training and travel	7,866	9,764
Accounting and auditing	4,250	4,060
Insurance	8,776	14,613
Tipping fees	213,909	156,530
Depreciation and amortization	34,140	28,400
Transfer station	11,929	8,308
Transportation fees	145,833	112,242
Household hazardous materials disposal	3,998	-
Miscellaneous	2,570	4,705
Adjustment to estimate for total landfill closure and postclosure care costs	(9,950)	(12,150)
Total operating expenses	708,972	580,395
Operating income (loss)	(34,143)	31,274
Non-operating revenues:		
Interest income	27,297	40,136
Net income (loss)	(6,846)	71,410
Retained earnings beginning of year	1,007,469	936,059
Retained earnings end of year	$ 1,000,623	1,007,469

See notes to financial statements.

Jackson County Sanitary Disposal Agency

Statement of Cash Flows

Years ended June 30, 2003 and 2002

		2003	2002
Cash flows from operating activities:			
Cash received from gate fees	$	371,153	342,097
Cash received from county and city assessments		270,212	265,934
Cash payments to suppliers for goods and services		(614,380)	(478,455)
Cash payments to employees for services		(95,987)	(84,289)
Other operating revenues		15,960	7,740
Net cash provided by (used for) operating activities		(53,042)	53,027
Cash flows from capital and related financing activities:			
Purchase of property and equipment		(43,545)	(98,201)
Cash flows from investing activities:			
Purchase of certificates of deposit		(200,000)	(600,000)
Proceeds from maturities of certificates of deposit		200,000	400,000
Interest received		28,611	38,706
Net cash provided (used) by investing activities		28,611	(161,294)
Net decrease in cash and cash equivalents		(67,976)	(206,468)
Cash and cash equivalents at beginning of year		265,985	472,453
Cash and cash equivalents at end of year	$	198,009	265,985
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$	(34,143)	31,274
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization		34,140	28,400
Changes in assets and liabilities:			
Decrease in prepaid insurance		1,705	2,210
(Increase) decrease in accounts receivable		(45,091)	4,102
Increase (decrease) in accounts payable		297	(809)
Decrease in estimated liability for landfill closure and postclosure care costs		(9,950)	(12,150)
Total adjustments		(18,899)	21,753
Net cash provided by (used for) operating activities	$	(53,042)	53,027

Jackson County Sanitary Disposal Agency

Statement of Cash Flows

Years ended June 30, 2003 and 2002

Reconciliation of cash and cash equivalents at year end to specific assets included on the Balance Sheet:

	2003	2002
Current assets:		
Cash	$ 198,009	265,985
Certificates of deposit	600,000	600,000
	798,009	865,985
Less items not meeting the definition of cash equivalent:		
Certificates of deposit	(600,000)	(600,000)
Cash and cash equivalents at year end	$ 198,009	265,985

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.

A. Reporting Entity

For financial reporting purposes, the Jackson County Sanitary Disposal Agency has included all funds, organizations, account groups, 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. Fund Accounting

The accounts of the Jackson County Sanitary Disposal Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that 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 that 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

Enterprise Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means all assets and all liabilities, whether current or non-current, associated with their activity are included on the balance sheet. The reported fund equity, net total assets, is reported as retained earnings. The operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Enterprise Fund, 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with standards set forth by the Governmental Accounting Standards Board. Revenues are recognized when earned and expenses are recognized or recorded when incurred.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash Equivalents – 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, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2003 include certificates of deposit of $600,000.

Property and Equipment – Building and lease improvements and equipment are accounted for at historical cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and lease improvements are amortized over a fifteen to thirty-nine year life and equipment is depreciated over a five to seven year life.

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/amortization of assets disposed of are deleted, with any gain or loss recorded in current operations.

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, 2003.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2003 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.

(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 which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2003, 2002, and 2001 were $5,862, $4,755, and $4,287, respectively, equal to the required contributions for each year.

(4) Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Buildings and lease improvements	$ 480,713	545	-	481,258
Equipment	235,785	43,000	-	278,785
Total	$ 716,498	43,545	-	760,043
Less depreciation and amortization				(369,022)
Total				$ 391,021

(5) Lease Agreement

The land used by the Agency for its landfill site was leased from Jackson County, Iowa 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.

(6) 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 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 costs consist 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. These costs for the Jackson County Sanitary Disposal Agency have been estimated to be $267,550 and a provision for this liability has been made on the Agency's balance sheet as of June 30, 2003.

Chapter 111 of the Iowa Administrative Code has been promulgated to implement financial assurance rules. Since the Agency stopped waste disposal prior to the Chapter 111 effective date of August 24, 1994, financial assurance is not required for the Agency. Currently the Agency accepts and transports waste to the Upper Rock Island County Landfill, Inc., under an agreement that extends through September 30, 2005.

(7) Risk Management

Jackson County Sanitary Disposal Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The Agency's property and casualty contributions to the risk pool are recorded as an expense from its operating funds at the time of payment to the risk pool. The Agency's annual contribution to the Pool for the year ended June 30, 2003 was $3,609.

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 $250,000 per claim. Claims exceeding $250,000 are reinsured in an amount not to exceed $1,750,000 per claim and $5,000,000 in aggregate per year. For members requiring specific coverage from $2,000,000 to $15,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to $50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the Agency's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. The Agency assumes responsibility for workers compensation and employee blanket bond claims in excess of $500,000 and $100,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Prospective Accounting Change

The Governmental Accounting Standards Board issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the Agency's financial activities.

Jackson County Sanitary Disposal Agency

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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Members of the Jackson County
Sanitary Disposal Agency:

We have audited the general purpose financial statements of the Jackson County Sanitary Disposal Agency for the year ended June 30, 2003, and have issued our report thereon dated October 20, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jackson County Sanitary Disposal Agency's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are 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, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. There were no prior year statutory comments.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County Sanitary Disposal Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jackson County Sanitary Disposal Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. Prior year reportable conditions have been resolved except for item (A).

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

October 20, 2003

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

(A) 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 again review current practices and implement new procedures if they are deemed feasible to our operation.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

(1) Official Depositories – A resolution naming official depositories has been adopted by the Jackson County Sanitary Disposal Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.

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

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

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

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

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Beth A. Wichtendahl, CPA, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State