OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE June 20, 2006

Contact: Andy Nielsen
515/281-5834

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

The Agency had total revenues of $708,591 for the year ended June 30, 2005, a 3 percent decrease from the prior year. Revenues included gate fees of $413,380 and county and city assessments of $270,212.

Expenses totaled $735,464 for the year ended June 30, 2005, a less than one percent decrease from the prior year, and included $167,266 for employee salaries and benefits, $184,452 for tipping fees and $133,237 for transportation fees.

A copy of the 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/reports.htm.

# # #

JACKSON COUNTY SANITARY DISPOSAL AGENCY

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

JUNE 30, 2005

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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
Gerald Kirton	Member	District C
Tom Feuerbach	Member	District D
Clyde Even	Member	District E
Albert Mangler	Member	District G
Buck Koos	Member	Board of Supervisors
Mark Beck	Director	
Jan Ward	Recording Secretary	

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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 basic financial statements of the Jackson County Sanitary Disposal Agency as of and for the year ended June 30, 2005. 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 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 Jackson County Sanitary Disposal Agency at June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2006 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

David A. Vaudt

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 18, 2006

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 2005. 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 2%, or $16,661, from fiscal 2004 to fiscal 2005. Gate fees decreased due to greater recycling efforts and county and city assessments remained unchanged.

- The Agency's operating expenses decreased less than one per cent, or $1,583, from fiscal 2004 to fiscal 2005.

- The Agency's net assets decreased 2.7%, or $26,873, from June 30, 2004 to June 30, 2005.

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 users 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 2005 totaled approximately $965,000. This compares to approximately $992,000 at the end of fiscal 2004. A summary of the Agency's net assets is presented below.

Net Assets		
	June 30,	
	2005	2004
Current assets	$ 529,150	639,819
Restricted investements	253,750	255,000
Capital assets at cost, less accumulated depreciation	437,708	374,268
Total assets	1,220,608	1,269,087
Current liabilities	2,014	22,370
Noncurrent liabilities	253,750	255,000
Total liabilities	255,764	277,370
Net assets:		
Invested in capital assets	437,708	374,268
Unrestricted	527,136	617,449
Total net assets	$ 964,844	991,717

The invested in capital assets (e.g., buildings and equipment) are resources allocated to capital assets. The remaining net assets are unrestricted net assets that 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 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 year ended June 30, 2005 and 2004 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2005	2004
Operating revenues:		
Gate fees	$ 413,380	426,938
County and city assessments	270,212	270,212
Other operating revenues	7,237	10,340
Total operating revenues	690,829	707,490
Operating expenses:		
Salaries	114,201	108,765
Employee benefits	53,065	44,436
Machinery maintenance, labor and parts	2,196	9,302
Long range planning and engineering	10,875	920
Outside contracts	10,444	16,430
Site maintenance	7,592	9,114
Site utilities	7,342	3,919
Recycling subsidies	120,000	112,939
Office operations	9,542	23,117
Training and travel	9,052	5,121
Accounting and auditing	4,645	4,510
Insurance	5,926	15,943
Tipping fees	184,452	210,809
Depreciation	47,432	40,913
Transfer station	6,982	15,625
Transportation fees	133,237	121,305
Household hazardous materials disposal	6,732	3,965
Miscellaneous	2,999	2,464
Adjustment to estimated costs for landfill closure and postclosure care	(1,250)	(12,550)
Total operating expenses	735,464	737,047
Operating loss	(44,635)	(29,557)
Non-operating revenues:		
Interest income	17,762	20,651
Decrease in net assets	(26,873)	(8,906)
Net assets beginning of year	991,717	1,000,623
Net assets end of year	$ 964,844	991,717

The Statement of Revenues, Expenses and Changes in Net Assets reflects a decrease in the net assets of $26,873 during fiscal 2005.

In fiscal 2005, operating revenues decreased by $16,661, or 2%, primarily a result of greater recycling efforts. Operating expenses decreased by $1,583, or less than one per cent.

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 purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2005, the Agency had approximately $438,000 invested in capital assets, net of accumulated depreciation of approximately $374,000. Depreciation charges totaled approximately $47,000 for fiscal 2005. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

The Agency has no long-term debt at the present time.

ECONOMIC FACTORS

Although the Jackson County Sanitary Disposal Agency's financial position declined during the current fiscal year, revenues that are relevant to the inflow of material and good economic times generally show more material being disposed of because of construction and remodeling projects. 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:

- Facilities at the Agency 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.

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, 2005

Assets	
Current assets:	
Cash and cash equivalents	$ 130,607
Investments	356,250
Receivables:	
Accounts	31,228
Accrued interest	6,550
Prepaid insurance	4,515
Total current assets	529,150
Noncurrent assets:	
Restricted investments	253,750
Capital assets, net of accumulated depreciation	437,708
Total noncurrent assets	691,458
Total assets	1,220,608
Liabilities	
Current liabilities:	
Salaries and benefits payable	2,014
Noncurrent liabilities:	
Landfill closure and postclosure care	253,750
Total liabilities	255,764
Net assets	
Invested in capital assets	437,708
Unrestricted	527,136
Total net assets	$ 964,844

See notes to financial statements.

Jackson County Sanitary Disposal Agency

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2005

Operating revenues:	
Gate fees	$ 413,380
County and city assessments	270,212
Other operating revenues	7,237
Total operating revenues	690,829
Operating expenses:	
Salaries	114,201
Employee benefits	53,065
Machinery maintenance, labor and parts	2,196
Long range planning and engineering	10,875
Outside contracts	10,444
Site maintenance	7,592
Site utilities	7,342
Recycling subsidies	120,000
Office operations	9,542
Training and travel	9,052
Accounting and auditing	4,645
Insurance	5,926
Tipping fees	184,452
Depreciation	47,432
Transfer station	6,982
Transportation fees	133,237
Household hazardous materials disposal	6,732
Miscellaneous	2,999
Adjustment to estimated costs for landfill closure and postclosure care	(1,250)
Total operating expenses	735,464
Operating loss	(44,635)
Non-operating revenues:	
Interest income	17,762
Change in net assets	(26,873)
Net assets beginning of year	991,717
Net assets end of year	$ 964,844

See notes to financial statements.

Jackson County Sanitary Disposal Agency

Statement of Cash Flows

Year ended June 30, 2005

Cash flows from operating activities:	
Cash received from gate fees	$ 418,037
Cash received from assessments	249,844
Cash paid to suppliers for goods and services	(509,982)
Cash paid to employees for services	(167,254)
Cash received from other operating receipts	7,237
Net cash used for operating activities	(2,118)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(110,872)
Cash flows from investing activities:	
Purchase of certificates of deposit	(610,000)
Proceeds from redemption of certificates of deposit	610,000
Interest received	17,477
Net cash used by investing activities	17,477
Net decrease in cash and cash equivalents	(95,513)
Cash and cash equivalents beginning of year	226,120
Cash and cash equivalents end of year	$ 130,607
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (44,635)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	47,432
Changes in assets and liabilities:	
Decrease in prepaid insurance	12,034
Decrease in accounts receivable	4,657
Increase in salaries and benefits payable	12
Decrease in deferred revenue	(20,368)
(Decrease) in liability for landfill closure and postclosure care	(1,250)
Total adjustments	42,517
Net cash used for operating activities	$ (2,118)

See notes to financial statements.

Jackson County Sanitary Disposal Agency

Notes to Financial Statements

June 30, 2005

(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 Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

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, 2005 include certificates of deposit of $610,000.

Restricted Investments – Funds set aside for recycling and future payments for closure and postclosure care are classified as restricted.

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

Reportable capital assets are defined by the 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, 2005.

(2) Cash, Cash Equivalents and Investments

The Agency's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The 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 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were $6,460, $6,073 and $4,755, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets at June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Buildings and improvements	$ 481,258	-	-	481,258
Equipment	302,945	121,050	93,710	330,285
Total capital assets	784,203	121,050	93,710	811,543
Less accumulated depreciation for:				
Buildings and improvements	193,562	12,164	-	205,726
Equipment	216,373	35,268	83,532	168,109
Total accumulated depreciation	409,935	47,432	83,532	373,835
Total capital assets, net	$ 374,268	73,618	10,178	437,708

(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 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 $253,750 and a provision for this liability has been made on the Agency's Statement of Net Assets as of June 30, 2005.

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.

(8) Risk Management

The 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 509 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 and inland marine. 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 at the time of payment to the risk pool. The Agency's contribution to the Pool for the year ended June 30, 2005 was $5,481.

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 the aggregate per year. For members requiring specific coverage from $2,000,000 to $10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2005, no liability has been recorded in the Agency's financial statements. As of June 30, 2005, 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 claim 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 in the amount of $500,000 and $100,000, 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.

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

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Members of the 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, 2005, and have issued our report thereon dated January 18, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion 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 the 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above 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 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, 2005 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.

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

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 18, 2006

Findings Related to the 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 consider the recommendations and implement policy where deemed feasible and necessary.

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, 2005.

(2) 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.

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

(4) Agency 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 deposit and investment 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
Carmon K. Kutcher, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State