FINANCIAL STATEMENTS
JUNE 30, 2006

DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY

(A Component Unit of the City of Dubuque, Iowa)

DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY

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DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY
BOARD MEMBERS

Name	Title	Term Expires
Ann E. Michalski	Chairperson	December 31, 2006
Richard W. Jones	Vice Chairperson	December 31, 2006
Eric J. Manternach	Board Member	December 31, 2006

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Dubuque Metropolitan Area
Solid Waste Agency Board:

We have audited the accompanying financial statements of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, Iowa, as of and for the year ended June 30, 2006, which comprise the Agency's basic financial statements as listed in the table of contents. 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 auditing standards generally accepted in the United States of America 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, and are not intended to present fairly the financial position of the City of Dubuque and the changes in financial position and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, Iowa, as of June 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2006, on our consideration of the Dubuque Metropolitan Area Solid Waste Agency's internal control over financial reporting and on 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.

3999 Pennsylvania Ave., Ste. 100 ▮ Dubuque, Iowa 52002-2273 ▮ Phone 563.556.1790 ▮ Fax 563.557.7842 ▮ EOE

The management's discussion and analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the basic financial statements of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eide Bailly LLP

Dubuque, Iowa
September 29, 2006

DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

This section of the financial report of the City of Dubuque Metropolitan Area Solid Waste Agency (DMASWA) presents our discussion and analysis of the financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the financial statements of the DMASWA found in this report.

FINANCIAL HIGHLIGHTS

- The assets of the DMASWA exceeded its liabilities at the close of the fiscal year by $11,694,074 (net assets). This was an increase of $553,589 over net assets at June 30, 2005. Unrestricted net assets at June 30, 2006 in the amount of $4,672,477 may be used to meet the DMASWA's ongoing obligations.
- Total operating and planning fund revenues exceeded expenses by $553,589.
- Within the DMASWA's operating fund, revenues and transfers exceeded expenses by $621,763.
- Within the DMASWA's planning fund, expenses exceeded revenues and transfers by $68,174.

OVERVIEW OF THE FINANCIAL STATEMENTS

The DMASWA's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. This discussion and analysis is intended to serve as an introduction to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The statement of net assets presents information on all of the DMASWA'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 is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the DMASWA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what cash was used for and what was the change in cash and cash equivalents during the reporting year.

FINANCIAL ANALYSIS

Net assets. As noted earlier, net assets may serve as a useful indicator of a facility's financial position when observed over time. In the case of the DMASWA, assets exceeded liabilities by $11,694,074 at the close of the most recent fiscal year.

The largest part of the DMASWA's assets (60.1%) reflects its investment in cash and pooled cash investments. The DMASWA's deposits at June 30, 2006, 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 the additional assessments against the depositories to insure there will be no loss of public funds.

DMASWA NET ASSETS

	2006 Total	2005 Total
Current and Other Assets	$ 9,039,844	$ 9,029,257
Capital Assets	5,345,262	4,948,274
Total Assets	14,385,106	13,977,531
Long-term Liabilities	2,479,380	2,605,333
Other Liabilities	211,652	231,713
Total Liabilities	2,691,032	2,837,046
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,345,262	4,948,274
Restricted by State Statute	304,210	323,543
Restricted for minority interests	1,372,125	1,332,187
Unrestricted	4,672,477	4,536,481
Total Net Assets	$ 11,694,074	$ 11,140,485

Net capital assets increased due to capital expenditures exceeding depreciation expense. Long-term liabilities decreased due to the decrease in the landfill closure and postclosure care liability.

Certain assets of the DMASWA are classified as restricted assets because they may be used only for such purposes specified by state statute.

At the close of fiscal year 2006, the DMASWA reports total operating income of $160,962 and an increase in net assets of $553,589.

DMASWA
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2006 Total	2005 Total
Operating Revenues	$ 2,815,992	$ 2,637,197
Operating Expenses	2,655,030	3,209,500
Operating Income (Loss)	160,962	(572,303)
Nonoperating Revenues	392,627	200,842
Change in Net Assets	553,589	(371,461)
Net Assets, Beginning	11,140,485	11,511,946
Net Assets, Ending	$ 11,694,074	$ 11,140,485

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The DMASWA's investment in capital assets for its operating and planning funds as of June 30, 2006, amounts to $5,345,262 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and construction in progress. Additional information on the DMASWA's capital assets can be found in Note 3 to the financial statements in this report.

CAPITAL ASSETS (net of accumulated depreciation)

	2006 Total	2005 Total
Land	$ 1,586,092	$ 1,003,524
Buildings	65,922	44,349
Improvements other than buildings	7,468,652	7,406,807
Machinery and equipment	2,504,155	2,106,659
Construction in Progress	-	-
Accumulated depreciation	(6,279,559)	(5,613,065)
	$ 5,345,262	$ 4,948,274

Long-term debt. There was no long-term debt for the DMASWA during fiscal year ended June 30, 2006.

ECONOMIC FACTORS

In fiscal year 2006 large volume customer rates were increased approximately 2.5%. In addition, there was a 4.3% volume increase in fiscal year 2006.

Requests for information. This financial report is designed to provide a general overview of the DMASWA's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Dubuque, Finance Director, 50 West 13th Street, Dubuque, Iowa 52001-4864.

LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 74,195
Accrued payroll	22,306
Accrued compensated absences	55,707
Intergovernmental payable	59,444
Total Current Liabilities	211,652
NONCURRENT LIABILITIES	
Landfill closure and postclosure care	2,479,380
Total Liabilities	2,691,032
NET ASSETS	
Invested in capital assets	5,345,262
Restricted by State statute	304,210
Restricted for minority interest	1,372,125
Unrestricted	4,672,477
Total Net Assets	$ 11,694,074

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

OPERATING REVENUES	
Charges for sales and services	$ 2,815,992
OPERATING EXPENSES	
Employee expense	868,950
Utilities	21,337
Repairs and maintenance	114,947
Supplies and services	1,043,724
Insurance	29,449
Decrease in closure and postclosure estimated liability	(125,953)
Depreciation	702,576
Total Operating Expenses	2,655,030
OPERATING INCOME	160,962
NONOPERATING REVENUES	
Intergovernmental	4,557
Investment earnings	388,070
Total Nonoperating Revenues	392,627
CHANGE IN NET ASSETS	553,589
NET ASSETS, BEGINNING	11,140,485
NET ASSETS, ENDING	$ 11,694,074

See notes to financial statements.

DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 2,824,380
Cash payments to suppliers for goods and services	(1,240,847)
Cash payments to employees for services	(857,621)
NET CASH PROVIDED BY OPERATING ACTIVITIES	725,912
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental grant proceeds	4,557
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,099,564)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	305,485
NET DECREASE IN CASH AND CASH EQUIVALENTS	(63,610)
CASH AND CASH EQUIVALENTS, BEGINNING	8,709,073
CASH AND CASH EQUIVALENTS, ENDING	$ 8,645,463
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 160,962
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in closure and postclosure estimated liability	(125,953)
Depreciation	702,576
Change in assets and liabilities	
Decrease in accounts receivable	8,388
Decrease in accounts and intergovernmental payables	(31,390)
Increase in accrued liabilities	11,329
Total Adjustments	564,950
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 725,912

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Dubuque Metropolitan Area Solid Waste Agency was created by an agreement between the City of Dubuque, Iowa, and Dubuque County, Iowa. Its purpose is to provide solid waste management for the Dubuque metropolitan area.

The Agency is governed by a three-person board consisting of two council members from the City of Dubuque and one supervisor from Dubuque County. Board members are appointed by their respective legislative bodies.

Under a contract with the Agency, the City of Dubuque operates and administers the Agency, including collecting, paying, and accounting for Agency funds.

Because the City of Dubuque appoints a majority of the Agency's governing board and has authority over those persons responsible for the day-to-day operations of the Agency, the Agency is considered a component unit of the City and is presented as such in the City's basic financial statements.

The Agency has determined that there are no potential component units, which must be included in its financial statements.

Basis of Accounting

The Agency's accounting records are maintained on the cash basis. However, for financial reporting purposes, the accounting records have been adjusted to the accrual method, recognizing revenue when earned and expenses when liabilities are incurred.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Agency's governing board annually adopts a budget on the cash basis of accounting with an adjustment for accrued payroll following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Following is a schedule comparing the Agency's budget and actual disbursements using the cash basis of accounting with an adjustment for accrued payroll for the year ended June 30, 2006:

	Budget			Variance –
Function	Original	Final	Actual	Positive
Business-type activities	$ 2,328,228	$ 3,292,356	$ 3,151,536	$ 140,820

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities.

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Deposits and Investments

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted Assets

Certain assets of the Agency are classified as restricted assets because they may be used only for such purposes specified by state statute and for landfill closure and postclosure.

Capital Assets

Capital assets include property, plant, and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than $20,000 for building assets and $10,000 for the remaining assets, and an estimated useful life of more than a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings	40 to 125
Improvements other than buildings	15 to 50
Machinery and equipment	2 to 30

Compensated Absences

The Agency allows employees to accumulate earned but unused vacation and sick pay benefits. Such benefits are accrued when earned and are reported as liabilities.

Equity

Restricted net assets represent outside third-party restrictions and amounts restricted for minority interest of the Agency. The Agency is restricted to using certain amounts for purposes specified by state statute. The net assets restricted for minority interest is calculated at 22.7% of unrestricted net assets, based on the 1976 revenue bond resolution authorizing the issuance of revenue bonds for the construction of the landfill.

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NOTE 2 – CASH ON HAND, DEPOSITS, AND INVESTMENTS

Cash on hand represents authorized change funds and petty cash funds used for current operating purposes. The carrying amount at year-end was $450.

The carrying amount of deposits for the Dubuque Metropolitan Area Solid Waste Agency was $8,645,013 and the bank balance was $8,824,239. The Agency's deposits in banks at June 30, 2006, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

The Dubuque Metropolitan Area Solid Waste Agency is authorized by state 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 City Council; 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.

Investments are stated at fair value. The Agency had no investments at June 30, 2006, or during the year.

Interest Rate Risk. The Agency's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

Credit Risk. The Agency's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Agency did not invest in any commercial paper or other corporate debt during the year.

Concentration of Credit Risk. The Agency's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Agency held no such investments during the year.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's deposits are 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 the depositories to insure there will be no loss of public funds.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency held no investments during the year.

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NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,003,524	$ 582,568	$ -	$ 1,586,092
Construction in progress	-	1,099,564	(1,099,564)	-
Total capital assets, not being depreciated	1,003,524	1,682,132	(1,099,564)	1,586,092
Capital assets, being depreciated:				
Buildings	44,349	21,573	-	65,922
Improvements other than buildings	7,406,807	61,845	-	7,468,652
Machinery and equipment	2,106,659	433,578	(36,082)	2,504,155
Total capital assets, being depreciated	9,557,815	516,996	(36,082)	10,038,729
Less accumulated depreciation for:				
Buildings	(44,349)	(60)	-	(44,409)
Improvements other than buildings	(4,263,893)	(471,495)	-	(4,735,388)
Machinery and equipment	(1,304,823)	(231,021)	36,082	(1,499,762)
Total accumulated depreciation	(5,613,065)	(702,576)	36,082	(6,279,559)
Total capital assets, being depreciated, net	3,944,750	(185,580)	-	3,759,170
Capital assets, net	$ 4,948,274	$ 1,496,552	$ (1,099,564)	$ 5,345,262

NOTE 4 – LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the Agency to place a final cover on each cell of its landfill site when filled and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and postclosure care costs will be paid only near or after the date that each cell stops accepting waste, the Agency reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date. The $2,479,380 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 96% of the estimated capacity of cells 3 and 4, the use of 80% of the estimated capacity of cells 5 and 6, and the use of 12% of the estimated capacity of cells 7 and 8. The Agency will recognize the remaining estimated cost of closure and postclosure care of $1,219,420 as the remaining capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The Agency expects to close cells 3 and 4 in 2007, cells 5 and 6 in 2011, and cells 7 and 8 in 2015. The Agency is making plans to construct a second generation of cells to extend the life of the landfill to 2050. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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The Agency has begun to accumulate resources to fund these costs in accordance with state and federal assurance requirements. At June 30, 2006, funds have been restricted for closure and postclosure costs in the amount of $3,205,838, which exceeds the liability currently recognized.

NOTE 5 – PENSION AND RETIREMENT BENEFITS

The Dubuque Metropolitan Area Solid Waste 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 covered salary, and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were $34,051, $31,814, and $25,656, respectively, equal to the required contributions for each year.

NOTE 6 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance and participates in a local government risk pool.

The City of Dubuque has established a Health Insurance Reserve Fund for insuring benefits provided to City employees and covered dependents which is included in the Internal Service Fund Type. Health benefits were self-insured up to an individual stop loss amount of $85,000 and an aggregate stop loss of $6,285,122 for 2006. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

The City of Dubuque has established a Workers' Compensation Reserve Fund for insuring benefits provided to City employees which is included in the Internal Service Fund Type. Workers' compensation benefits were self-insured up to a specific stop loss amount of $450,000, and an aggregate stop loss consistent with statutory limits for 2006. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the last three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

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The Agency participates in both programs and makes payments to the Health Insurance Reserve Fund and the Workers' Compensation Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims.

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 531 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 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 has property insurance in addition to the Pool.

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2006, were $14,253.

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 $1,350,000 are reinsured. The next $1,000,000 in claims are covered with another pool (APEEP). 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 that 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, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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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.

DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2006

	Operating Fund	Planning Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and pooled cash investments	$ 5,135,415	$ -	$ 5,135,415
Receivables			
Accounts	246,220	-	246,220
Accrued interest	148,161	-	148,161
Due from planning fund	3,607	-	3,607
Total Current Assets	5,533,403	-	5,533,403
NONCURRENT ASSETS			
Temporarily restricted cash and pooled cash investments			
For landfill closure and postclosure	3,205,838	-	3,205,838
By State statute	-	304,210	304,210
Total Temporarily Restricted Cash and Pooled Cash Investments	3,205,838	304,210	3,510,048
Capital Assets			
Land	1,586,092	-	1,586,092
Buildings	65,922	-	65,922
Improvements other than buildings	7,468,652	-	7,468,652
Machinery and equipment	2,504,155	-	2,504,155
Accumulated depreciation	(6,279,559)	-	(6,279,559)
Net Capital Assets	5,345,262	-	5,345,262
Total Noncurrent Assets	8,551,100	304,210	8,855,310
Total Assets	14,084,503	304,210	14,388,713
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	74,195	-	74,195
Accrued payroll	22,306	-	22,306
Accrued compensated absences	55,707	-	55,707
Intergovernmental payable	59,444	-	59,444
Due to operating fund	-	3,607	3,607
Total Current Liabilities	211,652	3,607	215,259
NONCURRENT LIABILITIES			
Landfill closure and postclosure care	2,479,380	-	2,479,380
Total Liabilities	2,691,032	3,607	2,694,639
NET ASSETS			
Invested in capital assets	5,345,262	-	5,345,262
Restricted by State statute	-	304,210	304,210
Restricted for minority interest	1,372,125	-	1,372,125
Unrestricted	4,676,084	(3,607)	4,672,477
Total Net Assets	$ 11,393,471	$ 300,603	$ 11,694,074

DUBUQUE METROPOLITAN AREA
SOLID WASTE AGENCY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Operating Fund	Planning Fund	Total
OPERATING REVENUES			
Charges for sales and services	$ 2,815,992	$ -	$ 2,815,992
OPERATING EXPENSES			
Employee expense	868,950	-	868,950
Utilities	21,337	-	21,337
Repairs and maintenance	114,947	-	114,947
Supplies and services	1,043,724	-	1,043,724
Insurance	29,449	-	29,449
Decrease in closure and postclosure estimated liability	(125,953)	-	(125,953)
Depreciation	702,576	-	702,576
Total Operating Expenses	2,655,030	-	2,655,030
OPERATING INCOME	160,962	-	160,962
NONOPERATING REVENUES			
Intergovernmental	4,557	-	4,557
Investment earnings	388,070	-	388,070
Total Nonoperating Revenues	392,627	-	392,627
INCOME BEFORE TRANSFERS	553,589	-	553,589
TRANSFERS IN	203,418	135,244	338,662
TRANSFERS OUT	(135,244)	(203,418)	(338,662)
CHANGE IN NET ASSETS	621,763	(68,174)	553,589
NET ASSETS, BEGINNING	10,771,708	368,777	11,140,485
NET ASSETS, ENDING	$ 11,393,471	$ 300,603	$ 11,694,074

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 Dubuque Metropolitan Area
Solid Waste Agency Board:

We have audited the financial statements of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance 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, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency and are reported in Part I of the accompanying Schedule of Findings. 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.

3999 Pennsylvania Ave., Ste. 100 ▮ Dubuque, Iowa 52002-2273 ▮ Phone 563.556.1790 ▮ Fax 563.557.7842 ▮ EOE

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Dubuque Metropolitan Area Solid Waste Agency, the citizens of the City of Dubuque and Dubuque County, and other parties to whom the Dubuque Metropolitan Area Solid Waste Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa
September 29, 2006

Part I: Other Findings Related to Statutory Reporting:

I-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted.

I-B-06 Questionable Expenditures - We noted no expenditures that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

I-C-06 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

I-D-06 Business Transactions - No business transactions between the Agency and its officials or employees were noted.

I-E-06 Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

I-F-06 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

I-G-06 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

I-H-06 Solid Waste Fees Retainage – The Dubuque Metropolitan Area Solid Waste Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

I-I-06 Financial Assurance – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code.