



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ December 1, 2004

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Butler County Solid Waste Commission.

The Commission had total operating receipts of \$651,400 during the year ended June 30, 2004, which included gate fees of \$103,065, city contributions of \$307,863 and county contributions of \$194,436. The Commission had total operating receipts of \$654,461 for the year ended June 30, 2003, which included gate fees of \$114,323, city contributions of \$311,660 and county contributions of \$194,436.

Disbursements totaled \$768,981 for the year ended June 30, 2004, which included \$148,117 for salaries, \$210,413 for landfill disposal fees and \$176,036 for transporting recyclables and recycling. Disbursements totaled \$691,769 for the year ended June 30, 2003, which included \$147,614 for salaries, \$215,766 for landfill disposal fees and \$191,970 for transporting recyclables and recycling.

A copy of the audit report is available for review in the Office of Auditor of State and at the Butler County Recycling Education Center's office.

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BUTLER COUNTY SOLID WASTE COMMISSION

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SCHEDULE OF FINDINGS**

JUNE 30, 2004

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	8-10
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 12
Notes to Financial Statement	13-17
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	19-20
Schedule of Findings	21-22
Staff	23

Butler County Solid Waste Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Richard Young	Chair	City of New Hartford
Charles Mosher	Vice-Chair	City of Allison
Bob Greenlee	Secretary-Treasurer	City of Shell Rock
Gordon Brocka	Member	City of Aredale
John Zimmerman	Member	Butler County
Jeff Kolb	Member	City of Clarksville
Harlan Johnson	Member	City of Parkersburg
Joyce Fenneman	Member	City of Bristow
Kenny Oldenburger	Member	Butler County
Larry Backer	Member	Butler County
Marvin Hearn	Member	City of Dumont
Lucy Miller	Member	City of Aplington
Ramond DeVries	Member	City of Greene
Shelene Codner	Director	

Butler County Solid Waste Commission



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Independent Auditor's Report

To the Members of the Butler County Solid Waste Commission:

We have audited the accompanying financial statement of the Butler County Solid Waste Commission as of and for the year ended June 30, 2004. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Butler County Solid Waste Commission as of June 30, 2004, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 9, during the year ended June 30, 2004, the Butler County Solid Waste Commission adopted 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2004 on our consideration of the Butler County Solid Waste Commission'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 audit.

Management's Discussion and Analysis on pages 8 through 10 is not a required part of the financial statement, 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 thereon.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 21, 2004

Butler County Solid Waste Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Butler County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Butler County Solid Waste Commission is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2004 FINANCIAL HIGHLIGHTS

- Operating receipts decreased less than 1%, or \$3,061, from fiscal 2003 to fiscal 2004. This decrease is primarily due to a reduction in storm debris, a large volume of which was experienced throughout fiscal 2003 due to an unusual amount of wind and hail storm activity.
- Operating disbursements increased \$77,212, or 11%, from fiscal 2003 to fiscal 2004. This is primarily due to capital improvements required by Iowa Department of Natural Resources (IDNR) Administrative Rule Section 106, which included the construction of a storage area for appliances, tires and pesticide containers, installation of a security system and installation of a washwater storage tank. Also included is an upgrade in equipment, including the purchase of a Galbreath hydraulic lift trailer.
- Cash basis net assets decreased 20%, or approximately \$101,000, from June 30, 2003 to June 30, 2004, due to the reasons stated above.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Commission's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Butler County Solid Waste Commission's financial statement. The annual report consists of a financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

Changes in Cash Basis Net Assets are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets. The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts are for interest on investments. A summary of cash receipts, disbursements and changes in cash balances for the years ended June 30, 2004 and June 30, 2003 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2004	2003
Operating receipts:		
Gate fees	\$ 103,065	114,323
City contributions	307,863	311,660
County contributions	194,436	194,436
Recycling	33,962	8,460
Miscellaneous	12,074	25,582
Total operating receipts	<u>651,400</u>	<u>654,461</u>
Operating disbursements:		
Salaries and benefits	164,470	163,492
Transporting recyclables and recycling	176,036	191,970
Landfill disposal fees	210,413	215,766
Other	218,062	120,541
Total operating disbursements	<u>768,981</u>	<u>691,769</u>
Deficiency of operating receipts under operating disbursements	<u>(117,581)</u>	<u>(37,308)</u>
Non-operating receipts:		
Solid waste alternatives program grant	7,859	11,974
Interest on investments	8,718	19,110
Total non-operating receipts	<u>16,577</u>	<u>31,084</u>
Net change in cash basis net assets	(101,004)	(6,224)
Cash basis net assets beginning of year	<u>493,401</u>	<u>499,625</u>
Cash basis net assets end of year	<u>\$ 392,397</u>	<u>493,401</u>

In fiscal 2004, operating receipts decreased by \$3,061, or less than 1%. The decrease was primarily a result of gate fees decreasing due to a reduction in storm debris. In fiscal 2004, operating disbursements increased by \$77,212, or 11%, from fiscal 2003 due to making improvement required for IDNR compliance issues.

ECONOMIC FACTORS

The Butler County Solid Waste Commission continued to improve its financial position during the current fiscal year due to capital investment. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities require constant maintenance and upkeep.
- The instability of the current 28E forming the Rural Iowa Waste Management Association, Butler, Hamilton, Hardin and Wright Counties. At this time, Hamilton County is reviewing the possibility of dissolving this agreement and leaving the Rural Iowa Waste Management Association.
- The instability of the budget and varying per ton fee at the Rural Iowa Waste Management Association make it difficult to gauge upcoming landfill fees.

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Butler County Solid Waste Commission, 309 North Main Street, Allison, Iowa 50602.

Financial Statement

Exhibit A

Butler County Solid Waste Commission
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2004

	2004	2003
Operating receipts:		
Gate fees	\$ 103,065	114,323
City contributions	307,863	311,660
County contributions	194,436	194,436
Recycling fees	33,962	8,460
Miscellaneous	12,074	25,582
Total operating receipts	<u>651,400</u>	<u>654,461</u>
Operating disbursements:		
Salaries	148,117	147,614
FICA and IPERS	16,353	15,878
Utilities and telephone	9,031	7,023
Transfer station expense and supplies	32,127	19,671
Transporting recyclables and recycling	176,036	191,970
Office supplies and recycling promotion	11,495	8,215
Landfill disposal fees	210,413	215,766
Transporting household hazardous waste materials	5,280	11,479
Insurance	18,329	14,318
Professional fees	2,550	2,373
Water analysis	13,145	8,723
Equipment	75,000	11,238
Solid waste transportation	19,100	10,193
Landfill expansion	30,833	-
Miscellaneous	1,172	27,308
Total operating disbursements	<u>768,981</u>	<u>691,769</u>
Deficiency of operating receipts under operating disbursements	<u>(117,581)</u>	<u>(37,308)</u>
Non-operating receipts:		
Solid waste alternatives program grant	7,859	11,974
Interest on investments	8,718	19,110
Total non-operating receipts	<u>16,577</u>	<u>31,084</u>
Change in cash basis net assets	(101,004)	(6,224)
Cash basis net assets beginning of year	493,401	499,625
Cash basis net assets end of year	<u>\$ 392,397</u>	<u>493,401</u>
Cash Basis Net Assets		
Restricted for closure	\$ 14,430	-
Unrestricted	377,967	493,401
Total cash basis net assets	<u>\$ 392,397</u>	<u>493,401</u>

See notes to financial statement.

Butler County Solid Waste Commission

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The Butler County Solid Waste Commission was formed in 1980 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Butler County for use by all of the residents of the County.

The Commission is composed of one representative from each of the participating cities and three representatives from Butler County. The representative of a City shall be appointed by the Mayor, approved by Council and certified to the Commission by the Clerk. Representatives of the County shall be the members of the Board of Supervisors. The member cities are: Allison, Aplington, Aredale, Bristow, Clarksville, Dumont, Greene, New Hartford, Parkersburg and Shell Rock.

In October 1989, the Butler County Landfill was closed and the Commission began operating a solid waste transfer station. On January 17, 1990, the name of the entity was changed to the Butler County Solid Waste Commission.

A. Reporting Entity

For financial reporting purposes, Butler County Solid Waste Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission 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 Commission are such that exclusion would cause the Commission's financial statement 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 Commission 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 Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The Commission is a member of the Rural Iowa Waste Management Association (RIWMA), a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. The Association is composed of one member from each of the following Commissions/Authorities: Hardin County Sanitary Solid Waste Disposal Commission, Hamilton County Solid Waste Commission, Butler County Solid Waste Commission and Wright County Area Landfill Authority. The purpose of the Association is to effectively provide for the sanitary disposal of solid waste within the boundaries of Butler, Hamilton, Hardin and Wright Counties through the joint operation of a landfill site and the initiation of such other solid waste reduction or recycling programs as the Commissions deem necessary and beneficial to the citizens they serve.

RIWMA is responsible for sanitary landfill activities. The responsibilities for hazardous waste, waste reduction, special waste and education under the Environmental Protection Act remain with each separate Commission.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

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

C. Basis of Accounting

The Butler County Solid Waste Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payable for closure costs. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2004 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 the depositories to insure there will be no loss of public funds.

The Commission 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 Commission; 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 Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Pension and Retirement Benefits

The Commission 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 Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$7,207, \$6,613 and \$6,084, respectively, equal to the required contributions for each year.

(4) Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability to employees for earned vacation leave at June 30, 2004 is \$7,700. This liability has been computed based on rates of pay in effect at June 30, 2004.

(5) Landfill Closure

The landfill closed October 1989 and started to operate as a transfer station. Because the landfill closed before the October 9, 1993 effective date of certain state and federal rules and regulations, the Commission is not required to meet certain closure and post-closure care requirements, nor demonstrate financial assurance for closure and post-closure care. However, state law requires the Commission to conduct ground water monitoring at the landfill for 30 years.

(6) Transfer Station Closure Costs

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

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

The total closure costs for the Commission as of June 30, 2004 have been estimated at \$14,430. The balance has been restricted and is fully funded at June 30, 2004.

(7) Risk Management

The Commission 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 490 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 Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended June 30, 2004 were \$5,471.

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 \$10,000,000, 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.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, 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 Commission also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$20,000. The Commission 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.

(8) Financial Assistance Program Grant

On January 21, 2003, the Commission entered into an agreement with the Iowa Department of Natural Resources for a solid waste alternatives program grant of \$20,000 to establish an electronics recycling program. During the year ended June 30, 2004, the Commission received grant proceeds of \$7,859.

(9) Accounting Change

For the year ended June 30, 2004, the Commission implemented 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.

Implementation of these standards had no effect on the beginning balances of the Commission.

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



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Auditor of State

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

To the Members of the Butler County Solid Waste Commission:

We have audited the financial statement of the Butler County Solid Waste Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated September 21, 2004. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. 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 the Butler County Solid Waste Commission's financial statement is 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. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Butler County Solid Waste Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Butler County Solid Waste Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are 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 statement 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, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Butler County Solid Waste Commission and other parties to whom the Commission 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 Butler County Solid Waste Commission 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

September 21, 2004

Butler County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal accounting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas:
- (1) Receipts – collecting, depositing, journalizing, posting and reconciling.
 - (2) Disbursements – check writing, signing and reconciling.
 - (3) Payroll – preparation and distribution.
 - (4) Investing – recordkeeping and investing

Also, bank reconciliations are not being reviewed by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances. Bank reconciliations should be reviewed by an independent person.

Response – Due to the lack of personnel, segregation of duties continues to be a challenge. However, we have set-up procedures to allow consistent review of financial information by a number of persons within the Commission. Deposits of gate fees will be prepared by an individual, reviewed and deposited by another person and posted by another person. All checks, investment ledgers, payroll and bank reconciliations will be reviewed by a second person. Financial statements will be reviewed by the entire board.

Conclusion – Response accepted.

- (B) Disbursements – The Commission requires two signatures for a check to be issued. The Director signs manually and a Commission member has a signature stamp which is used to sign checks. However, the Director has control of the Commission member's signature stamp.

Recommendation – To strengthen internal control, each check should be prepared and signed by one person and the supporting vouchers and invoices should be made available along with the checks to the second or independent person for review and countersignature. If the signature stamp is used, it should be adequately controlled and affixed by the commission member or another designated independent person.

Response – The Commission member will have control of the signature stamp. In addition he will review and stamp checks as needed as he reviews corresponding invoices.

Conclusion – Response accepted.

Butler County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Disbursements – No disbursements 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 disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.

Commission minutes were not signed to authenticate Commission actions.

Recommendation – Commission minutes should be signed to authenticate actions approved by the Commission.

Response – The Commission will sign all minutes, financial statements and bank reconciliations.

Conclusion – Response accepted.

- (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 Commission’s investment policy were noted.
- (6) Solid Waste Alternative Program Grant – On May 13, 2004, the Rural Iowa Waste Management Association (RIWMA) entered into an agreement with the Iowa Department of Natural Resources (IDNR) for a solid waste alternative program grant of \$19,988 to establish an electronics recycling program. Warrants from IDNR were payable to RIWMA. However, the Butler County Solid Waste Commission deposited the warrants directly into its bank account.

Recommendation – The warrants should have been deposited by RIWMA, the entity to whom the warrants were made payable. The Butler County Solid Waste Management Commission then should have billed RIWMA for the work done.

Response – Future grants will be applied for in the name of Butler County Solid Waste Management Commission, who will act as a contractor on behalf of Hamilton, Hardin, Wright Counties.

Conclusion – Response accepted.

Butler County Solid Waste Commission

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Sarah M. Wright, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State