



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

NEWS RELEASE

FOR RELEASE _____ December 15, 2003

Contact: Andy Nielsen
515/281-5834

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

The Commission had total receipts of \$685,545 for the year ended June 30, 2003, which included gate fees of \$114,323, county assessments of \$194,436 and city assessments of \$311,660. The Commission had total receipts of \$572,927 for the year ended June 30, 2002, which included gate fees of \$79,544, county assessments of \$162,030 and city assessments of \$268,281.

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. Disbursements totaled \$682,491 for the year ended June 30, 2002, which included \$137,412 for salaries, \$206,757 for landfill disposal fees and \$124,211 for equipment.

A copy of the audit report is available for review in the Office of Auditor of State and 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, 2003 AND 2002

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Financial Statement:	<u>Exhibit</u>
Statement of Cash Transactions	A 8
Notes to Financial Statement	9-13
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	15-16
Schedule of Findings	17
Staff	18

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
Rita Andersen	Secretary-Treasurer	City of Aplington
Gordon Brocka	Member	City of Aredale
John Zimmerman	Member	Butler County
Gary Neal	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
Dennis Burkett	Member	City of Dumont
Bob Greenlee	Member	City of Shell Rock
John Barth	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 statement of cash transactions of the Butler County Solid Waste Commission for the years ended June 30, 2003 and 2002. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this financial statement based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash transactions. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 results of the cash transactions of the Butler County Solid Waste Commission for the years ended June 30, 2003 and 2002, on the basis of accounting described in note 1.

As discussed in note 9, Butler County Solid Waste Commission intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Commission's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the Commission's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2003 on our consideration of 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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 7, 2003

Financial Statement

Exhibit A

Butler County Solid Waste Commission

Statement of Cash Transactions

Years ended June 30, 2003 and 2002

	2003	2002
Receipts:		
City assessments	\$ 311,660	268,281
County assessments	194,436	162,030
Gate fees	114,323	79,544
Interest on investments	19,110	33,931
Recycling	8,460	21,094
Solid waste alternatives program grant	11,974	-
Miscellaneous	25,582	8,047
Total receipts	<u>685,545</u>	<u>572,927</u>
Disbursements:		
Salaries	147,614	137,412
FICA and IPERS	15,878	16,247
Utilities and telephone	7,023	4,714
Transfer station expense and supplies	19,671	15,605
Transporting recyclables and recycling	191,970	107,534
Office supplies and recycling promotion	8,215	1,865
Landfill disposal fees	215,766	206,757
Transporting household hazardous waste materials	11,479	15,384
Insurance	14,318	15,586
Professional fees	2,373	2,095
Water analysis	8,723	10,198
Equipment	11,238	124,211
Solid waste transportation	10,193	9,408
Miscellaneous	27,307	15,475
Total disbursements	<u>691,769</u>	<u>682,491</u>
Deficiency of receipts under disbursements	(6,224)	(109,564)
Balance beginning of year	<u>499,625</u>	<u>609,189</u>
Balance end of year	<u>\$ 493,401</u>	<u>499,625</u>

See notes to financial statement.

Butler County Solid Waste Commission

Notes to Financial Statement

June 30, 2003

(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 the Council and certified to the Commission by the Clerk; the 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, account groups, agencies, boards, commission, 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 relationships with the Commission are such that exclusion would cause the Commission'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 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.

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 three Commissions/Authorities: Hardin County Sanitary Solid Waste Disposal 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, Hardin, and Wright Counties through the joint operations 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 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 payables for closure and postclosure care 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, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool 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) Closure and Postclosure Care Cost

To comply with federal and state regulations, the Butler County Solid Waste Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and

labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, technology or applicable laws or regulations.

However, the Commission has received a letter from the Iowa Department of Natural Resources which states the Commission is not required to compute the above-mentioned costs, nor is it required to demonstrate financial responsibility since the landfill closed before the requirements became effective. The landfill has set aside \$154,412 in a money market account which is reserved for the payment of postclosure costs.

(4) 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 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The Commission'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 Commission's annual contributions to the Pool for the year ended June 30, 2003 were \$5,896.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

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

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its 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 and the member's proportionate share of any capital deficiency.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The Commission assumes liability for any deductibles and claims in excess of \$20,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(5) 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 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 Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$6,613, \$6,084 and \$5,532, respectively, equal to the required contributions for each year.

(6) 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 for earned vacation payments payable to employees at June 30, 2003 is \$7,100. This liability has been computed based on rates of pay in effect at June 30, 2003.

(7) 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. In the event the project fails or ceases operations during the term of the contract, January 1, 2003 to January 31, 2004, the grant will revert to a zero interest loan. During the year ended June 30, 2003, the Commission received grant proceeds of \$11,974.

(8) Restricted Funds

The Commission maintains restricted funds in separate certificate of deposit and money market accounts which are identified for closure and postclosure care costs. The balances in these accounts for transfer station closure and landfill postclosure care costs totaled \$25,168 and \$154,412, respectively, at June 30, 2003.

(9) Prospective Accounting Change

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

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



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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, 2003, and have issued our report thereon dated October 7, 2003. 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 noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement 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 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 statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be 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 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

October 7, 2003

Butler County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (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.
- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.
- (6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2003, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.
- (7) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and requires retention in that manner to include an image of both the front and back of each cancelled check. The Commission retains cancelled checks through electronic image, but did not obtain an image of the back of the checks for the year ended June 30, 2003, as required.

Recommendation – The Commission should obtain and retain an image of both the front and back of each cancelled check, as required.

Response – We will obtain images of both the front and back of each cancelled check.

Conclusion – Response accepted.

Butler County Solid Waste Commission

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Sarah M. Wright, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State