



April 30, 2009

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS 25A
P.O. Box 4025
Sacramento, CA 95812

Dear Mr. Leary:

Final Report—California Integrated Waste Management Board Used Oil Recycling Fund

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its review of the California Integrated Waste Management Board's (Board) Used Oil Recycling Fund (Fund) as of June 30, 2008.

The enclosed report is for your information and use. Because there were no findings or issues requiring a response, we are issuing the report as final. In accordance with Finance's policy of increased transparency, this report will be placed on our website.

We appreciate the assistance and cooperation of the Board. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Richard R. Sierra for:

David Botelho, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Susan Villa, Branch Manager, Administration and Finance Division, California
Integrated Waste Management Board
Ms. Julie Arico, Accounting Administrator, Administration and Finance Division, California
Integrated Waste Management Board
Ms. Shirley Willd-Wagner, Manager, Financial Assistance Division, California
Integrated Waste Management Board
Ms. Corky Mau, Branch Manager, Financial Assistance Division, California Integrated
Waste Management Board
Mr. George Mendoza, Audit Manager, Audit and Evaluation Unit, California Integrated
Waste Management Board

F INANCIAL S TATEMENT R EVIEW

California Integrated Waste Management Board
California Used Oil Recycling Fund
For the Fiscal Year Ended
June 30, 2008

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

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Manager

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Supervisor

Staff
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This report is also available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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The Department of Finance, Office of State Audits and Evaluations (Finance), performed this review under an interagency agreement with the California Integrated Waste Management Board (Board). The purpose was to review the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance of the California Used Oil Recycling Fund (Fund), for the fiscal year ended June 30, 2008.

Review Objectives

- Provide limited assurance on the financial statements based on our review conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.
- Verify that the financial statements were prepared in conformity with the accounting policies and procedures of the fund as prescribed by the State of California, which comprise a comprehensive basis of accounting other than generally accepted accounting principles.

Review Results

- Nothing came to our attention that caused us to believe that the financial statements for the year ended June 30, 2008 are not presented, in all material respects, in conformity with a comprehensive basis of accounting other than generally accepted accounting principles.

This report is intended for the information and use of the Board, and is not intended to be and should not be used by anyone other than the specified party. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.



INDEPENDENT ACCOUNTANT'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS 25A
P.O. Box 4025
Sacramento, CA 95812-4025

We have reviewed the accompanying Balance Sheet as of June 30, 2008, and the related Statement of Revenues, Expenditures, and Changes in Fund Balance of the California Used Oil Recycling Fund (Fund) for the year then ended. These financial statements are the responsibility of the California Integrated Waste Management Board's (Board) management.

Except as discussed in the following paragraph, we conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the financial statements. Accordingly, we do not express such an opinion.

Finance is not independent of the Board, as both are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. These activities impair independence. However, sufficient safeguards exist for readers of this report to rely on the information contained herein.

As discussed in Note 1A, the financial statements present only the Fund and are not intended to present the financial position of the Board or the State of California as of June 30, 2008, or changes in their financial position for the year then ended.

Based on our review, nothing came to our attention that caused us to believe that the financial statements referred to above are not presented, in all material respects, in conformity with a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 3A, the beginning fund balance was restated due to the change in accounting basis from the modified accrual basis to the statutory basis of accounting. The restated fund balance in accordance with the statutory basis of accounting does not include the reserve for encumbrances.

This report is intended solely for the information and use of Board management, those charged with governance, others within the Board, and the Legislature, and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by Richard R. Sierra for:

David Botelho, CPA
Chief, Office of State Audits and Evaluations
(916) 322-2985

February 23, 2009

BALANCE SHEET

**California Integrated Waste Management Board
California Used Oil Recycling Fund
Balance Sheet—Statutory Basis
As of June 30, 2008**

Assets

Cash and Pooled Investments (Note 1E)	\$ 26,501,000
Receivables (net)	4,918,842
Due from Other Funds (Note 2)	207,912
Due from Other Governments	236,253
Prepayments to Other Governments (Note 1I)	<u>1,524,504</u>
Total Assets	<u>\$ 33,388,511</u>

Liabilities

Accounts Payable (Note 1J)	\$ 25,969,795
Due to Other Funds (Note 2)	787,330
Due to Local Governments	425,345
Due to Other Governments	<u>3,464</u>
Total Liabilities	<u>27,185,934</u>

Fund Balance

Designated for Contingencies (Note 3B)	1,000,000
Reserved for Prepaid Items (Note 1I)	1,524,504
Reserved for Unencumbered Balances of Continuing Appropriations (Note 3C)	<u>3,678,073</u>
Total Fund Balance	<u>6,202,577</u>

Total Liabilities and Fund Balance \$ 33,388,511

The notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

**California Integrated Waste Management Board
California Used Oil Recycling Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance—Statutory Basis
For the Fiscal Year Ended June 30, 2008**

Revenues	
Fees	\$ 18,660,746
Interest	<u>1,112,730</u>
Total Revenues	19,773,476
Expenditures	
Incentive Payments	3,814,470
External Consultant and Professional Services	886,922
Inter-departmental Consultant and Professional Services	691,063
Local Government Grants	10,525,265
Administrative Support (Note 4)	<u>4,022,172</u>
Total Expenditures	<u>19,939,892</u>
Excess of Expenditures Over Revenues	(166,416)
Other Financing Uses	
Operating Transfer Out (Note 5)	(54,000)
Refund to Reverted Appropriations	30,342
Fund Balance Adjustment (Note 6)	<u>(422,216)</u>
Net Change in Fund Balance	(612,290)
Fund Balance Beginning of Year, as restated (Note 3A)	<u>6,814,86</u>
Fund Balance End of Year	<u>\$ 6,202,577</u>

The notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

**California Integrated Waste Management Board
California Used Oil Recycling Fund
Notes to the Financial Statements—Statutory Basis
For the Fiscal Year Ended June 30, 2008**

NOTE 1 Summary of Significant Accounting Policies

A. Definition of Reporting Entity

The California Used Oil Recycling Fund (Fund) was created with passage of the California Used Oil Recycling Enhancement Act of 1991 (Act). State law places administration of the Act with the California Integrated Waste Management Board (Board). Pursuant to the Act, every oil manufacturer who sells, or offers to sell, lubricating or industrial oil in California shall report the amount of lubricating or industrial oil sold or transferred in the state. In addition, all used oil haulers are required to report to the Board the amount of used oil transported, the location to which it is transported, and the source of the used oil. Further, each used oil recycling facility is required to report to the Board the amount of used oil received and the amount of recycled oil produced. Amounts received by the Board as fees from oil manufacturers are deposited into the Fund.

The Act authorizes the Board to pay a recycling incentive to certified used oil collection centers, registered industrial generators, and registered curbside collection programs for used lubricating oil collected from the public, or generated by certified used oil collection centers or industrial generators, and transported to qualifying used oil recycling facilities. In addition, the Board can pay a recycling incentive to an electric utility for used oil consumed by the utility for electrical generation.

The Act stipulates that all monies deposited in the Fund shall be used to pay recycling incentives, to pay the necessary costs to administer the program, to provide a reserve for contingencies, and to make available block grants for the implementation of local used oil collection programs.

Pursuant to the Act, the balance of monies deposited in the Fund remaining after the payment of all expenditures, except as noted above, shall be available to the Board for specified uses. The Act limits the use of the remaining balance to expenditures for the development and implementation of an information and education program for the promotion of alternatives to the illegal disposal of used oil, for certain types of grants and loans, and to fund the disposal of used oil that is contaminated by excessive hazardous materials and collected by a certified used oil collection center.

The Board administers the Used Oil Recycling Fund which is shared between the Board, the Department of Toxic Substances Control (DTSC), and the California Environmental Protection Agency (Cal/EPA). The Legislature makes appropriations to DTSC and Cal/EPA from the Fund for used oil-recycling activities administered by those agencies. The financial statements present information of the financial activities of the Fund only, and do not represent all of the financial activities of the Board taken as a whole, or of the State of California.

B. Basis of Presentation—Fund Accounting

The accompanying financial statements present the financial position of the Fund as of June 30, 2008 and the results of operations and changes in fund balance for the year then ended. These financial statements have been prepared in compliance with State of California laws and accounting procedures. In accordance with the State of California's fund classification, the Fund is classified as a Governmental/Other Governmental Cost Fund for financial reporting purposes.

C. Basis of Accounting

The Fund follows the Statutory basis of accounting prescribed by the California State Administrative Manual (SAM) and California Government Code, which comprise a comprehensive basis of accounting other than generally accepted accounting principles. Revenues are recorded when they become measurable and available to finance expenditures of the current period. Expenditures are recorded when the related liability is incurred or encumbered.

D. Budget and Budgetary Control

The accounting policies of the Board conform to the SAM based on the state's budgetary provisions. Program funds are continuously appropriated without regard to fiscal year. Management is responsible for exercising budgetary control to ensure that available amounts are not overspent. In addition, the State Controller's Office is responsible for statewide appropriation control and does not allow expenditures in excess of authorized appropriations.

E. Cash and Pooled Investments

Cash in excess of current needs is deposited in the state's centralized treasury system, which combines the balances of state agencies into a single bank account to simplify cash management. The Surplus Money Investment Fund (SMIF) is managed by the Pooled Money Investment Board. State statutes, bond resolutions, and investment policy resolutions allow the state to invest in government securities, certificates of deposit, banker's acceptances, commercial paper, corporate bonds, mortgage loans and notes, other debt securities, repurchase agreements, equity securities, real estate, investment agreements, mutual funds, and other investments. The reported amount represents an equity share in the balance of the investment pool. Since there are no individually owned investments, the deposit in SMIF is not reported by type of investment.

F. Revenues Susceptible to Accrual

Proceeds received by the Fund from both fees and investment income are susceptible to accrual. Revenues are accrued if the underlying transaction has occurred as of the last day of the fiscal year and the due date for the revenue is within 12 months of the end of the fiscal year.

G. Compensated Absences

Liability for vested and unpaid vacation and annual leave is reported as a long-term liability on the government-wide financial statements. It is anticipated that compensated absences will generally not be used in excess of a normal year's accumulation. Unused sick leave balances are not included in compensated absences because they do not vest to employees. For further information, refer to the *State of California Comprehensive Annual Financial Report*.

H. Retirement Plan

Regular employees of the Board are members of the Public Employees Retirement System (PERS), which is a defined benefit contributory retirement plan. Employer contributions to PERS are actuarially determined under a program whereby contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The Fund's share of retirement contributions is included in the cost of personal services. For further information, refer to the annual single audit of the State of California.

I. Prepaid Items

Payments made to grantees for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items. The prepaid items balance of \$1,524,504 includes prepaid amounts for the Used Oil Block Grant Program, cycles 12 and 13. A portion of the fund balance equal to the prepaid items has been reserved to indicate that it is not available for appropriation.

J. Accounts Payable

Accounts payable includes encumbrances of \$24,304,712.

NOTE 2 Due To/From Other Funds

The Due From Other Funds account represents the amounts due from other state funds to the Fund. The Due To Other Funds account represents the amounts due from the Fund to other state funds. The balances of Due From Other Funds and Due To Other Funds include the following:

<u>Due From Other Funds:</u>	
Surplus Money Investment Fund	<u>\$ 207,912</u>

<u>Due To Other Funds:</u>	
Integrated Waste Management Account	\$ 742,570
Service Revolving Fund	176
Hazard Waste Control Account	41,913
Motor Vehicle Account	<u>2,671</u>
Total Due To Other Funds	<u>\$ 787,330</u>

NOTE 3 Fund Balance

A. Beginning Fund Balance

The beginning fund balance was restated due to the change in accounting basis from the modified accrual to statutory basis of accounting. The ending fund balance at June 30, 2007 was \$27,735,311 using the modified accrual basis of accounting. The restated statutory basis fund balance does not include the reserve for encumbrance at June 30, 2007 of \$20,920,444 resulting in the restated fund balance of \$6,814,867 under the statutory basis of accounting.

B. Designated for Contingencies

The Act provides for a reserve for general, unspecified contingencies not to exceed \$1 million. The designated amount included in the unreserved portion of the fund balance has been reported at the maximum.

C. Reserved for Unencumbered Balances of Continuing Appropriations

The balance represents the Fund's resources currently available for future spending.

NOTE 4 Administrative Support Expenditures

Administrative support expenditures include the following:

Salaries	\$ 1,840,419
Staff Benefits	782,164
General	32,848
Printing	15,413
Communication	31,290
Postage	(1,223)
Travel	40,294
Training	9,298
Facilities Operations	288,494
Departmental Services	840,807
Data Processing	40,863
Central Administrative Services	68,498
Equipment	30,683
Other	<u>2,324</u>
Total Administrative Support	<u>\$ 4,022,172</u>

NOTE 5 Operating Transfers

Legally authorized transfers between state funds occurring during the current period are reported as Operating Transfers and are accounted for as reductions or increases in residual equity. The Board, pursuant to paragraph (2)(A) of subdivision (c) of Section 48100 of the Public Resources Code and as authorized by the Legislature in the Budget Act of 2007-08, executed an Operating Transfer of \$54,000 to the Farm and Ranch Solid Waste Cleanup and Abatement Account.

NOTE 6 Fund Balance Adjustment

In accordance with Sections 10403 and 10464 of SAM, shared funds do not show the cash balance in the State Treasury. Instead, the net remittances or disbursements from the particular fund in the State Treasury are shown. At the end of the fiscal year, the net remittance and net disbursement balances are applied to the fund balance. The net remittances and disbursements as of June 30, 2008 for each agency were as follows:

Board	\$ 762,850
DTSC	(313,769)
Cal/EPA	<u>(26,865)</u>
Total	<u>\$ 422,216</u>