



**Auditor of State  
Betty Montgomery**



**NORTH CENTRAL OHIO SOLID WASTE MANAGEMENT DISTRICT  
ALLEN, CHAMPAIGN, HARDIN, MADISON, SHELBY, AND UNION COUNTIES**

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**Auditor of State  
Betty Montgomery**

North Central Ohio Solid Waste Management District  
Allen, Champaign, Hardin, Madison, Shelby, and Union Counties  
212 North Elizabeth Street, Suite 301  
Lima, Ohio 45801

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

June 16, 2005

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT**

North Central Ohio Solid Waste Management District  
Allen, Champaign, Hardin, Madison, Shelby, and Union Counties  
212 North Elizabeth Street, Suite 301  
Lima, Ohio 45801

To the Board of Directors:

We have audited the accompanying financial statements of the North Central Ohio Solid Waste Management District of Allen, Champaign, Hardin, Madison, Shelby, and Union Counties, (the District), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the District'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 the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the North Central Ohio Solid Waste Management District of Allen, Champaign, Hardin, Madison, Shelby, and Union Counties, as of December 31, 2004 and 2003 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

June 16, 2005



**NORTH CENTRAL OHIO SOLID WASTE MANAGEMENT DISTRICT  
ALLEN, CHAMPAIGN, HARDIN, MADISON, SHELBY, AND UNION COUNTIES**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Landfill Fees	\$1,321,024		\$1,321,024
Intergovernmental		\$8,000	8,000
Interest	10,005		10,005
Miscellaneous	2,199		2,199
	<u>1,333,228</u>	<u>8,000</u>	<u>1,341,228</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Salaries	173,221		173,221
Supplies and Materials	7,238		7,238
Equipment	7,953		7,953
Contracts - Services	40,462		40,462
Rental Facilities	14,319		14,319
Travel Expenses	19,634		19,634
Public Employee's Retirement	23,372		23,372
Worker's Compensation	1,198		1,198
Group Insurance	36,379		36,379
Other	22,486		22,486
Plan Implementation	593,219	8,000	601,219
	<u>939,481</u>	<u>8,000</u>	<u>947,481</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	393,747		393,747
<b>Other Financing Receipts:</b>			
Reimbursements	72		72
	<u>72</u>		<u>72</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	393,819		393,819
Fund Cash Balances, January 1	899,809		899,809
	<u>899,809</u>		<u>899,809</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,293,628</u></b>	<b><u>\$0</u></b>	<b><u>\$1,293,628</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$2,000</u>	<u>\$2,000</u>

*The notes to the financial statements are an integral part of this statement.*

**NORTH CENTRAL OHIO SOLID WASTE MANAGEMENT DISTRICT  
ALLEN, CHAMPAIGN, HARDIN, MADISON, SHELBY, AND UNION COUNTIES**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Landfill Fees	\$1,331,145		\$1,331,145
Intergovernmental		\$25,000	25,000
Interest	6,693		6,693
Miscellaneous	141		141
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	1,337,979	25,000	1,362,979
<b>Cash Disbursements:</b>			
Current:			
Salaries	157,518		157,518
Supplies and Materials	7,855		7,855
Contracts - Services	50,163		50,163
Rental Facilities	14,358		14,358
Travel Expenses	18,924		18,924
Public Employee's Retirement	20,258		20,258
Worker's Compensation	264		264
Group Insurance	33,616		33,616
Other	31,678		31,678
Plan Implementation	802,969	25,000	827,969
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,137,603	25,000	1,162,603
Total Receipts Over/(Under) Disbursements	200,376		200,376
<b>Other Financing Receipts:</b>			
Reimbursements	13,128		13,128
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	213,504		213,504
Fund Cash Balances, January 1	686,305		686,305
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$899,809</u></b>	<b><u>\$0</u></b>	<b><u>\$899,809</u></b>

*The notes to the financial statements are an integral part of this statement.*

**NORTH CENTRAL OHIO SOLID WASTE MANAGEMENT DISTRICT  
ALLEN, CHAMPAIGN, HARDIN, MADISON, SHELBY, AND UNION COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the North Central Ohio Solid Waste Management District of Allen, Champaign, Hardin, Madison, Shelby, and Union Counties, (the District), as a body corporate and politic. The District is directed by an eighteen-member Board of Directors comprised of the three County Commissioners of Allen, Champaign, Hardin, Madison, Shelby, and Union Counties. The District provides solid waste disposal, recycling opportunities, and other waste management services to these counties.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of state prescribes or permits.

**C. Cash and Investments**

In accordance with Ohio Revised Code, the Allen County Treasurer is custodian for the District's monies. The County holds the District's cash and investments in its cash and investment pool, valued at the Treasurer's reported carrying amount.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

**Market Development Grant Fund** - This fund receives grant monies to be used for the implementation of a local recycling market development program.

**Tire Amnesty Grant Fund**- This fund receives grant monies to be used for the implementation of tire recycling programs.

**NORTH CENTRAL OHIO SOLID WASTE MANAGEMENT DISTRICT  
ALLEN, CHAMPAIGN, HARDIN, MADISON, SHELBY, AND UNION COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**E. Budgetary Process**

The Ohio Revised Code requires the District to budget each fund annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and account level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 2.

**F. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

<b>2004 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,280,000	\$1,333,300	\$53,300
Special Revenue	10,000	8,000	(2,000)
Total	\$1,290,000	\$1,341,300	\$51,300

**NORTH CENTRAL OHIO SOLID WASTE MANAGEMENT DISTRICT  
ALLEN, CHAMPAIGN, HARDIN, MADISON, SHELBY, AND UNION COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**2. BUDGETARY ACTIVITY**

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,880,000	\$939,481	\$940,519
Special Revenue	10,000	10,000	0
<b>Total</b>	<b>\$1,890,000</b>	<b>\$949,481</b>	<b>\$940,519</b>

**2003 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,364,000	\$1,351,107	(\$12,893)
Special Revenue	25,000	25,000	0
<b>Total</b>	<b>\$1,389,000</b>	<b>\$1,376,107</b>	<b>(\$12,893)</b>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,868,327	\$1,137,603	\$730,724
Special Revenue	25,000	25,000	0
<b>Total</b>	<b>\$1,893,327</b>	<b>\$1,162,603</b>	<b>\$730,724</b>

**3. RETIREMENT SYSTEMS**

The District's full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2004.

**4. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The District also provides health insurance to full-time employees through the Allen County health plan.

**NORTH CENTRAL OHIO SOLID WASTE MANAGEMENT DISTRICT  
ALLEN, CHAMPAIGN, HARDIN, MADISON, SHELBY, AND UNION COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the District at December 31, 2004 and 2003.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

North Central Ohio Solid Waste Management District  
Allen, Champaign, Hardin, Madison, Shelby, and Union Counties  
212 North Elizabeth Street, Suite 301  
Lima, Ohio 45801

To the Board of Directors:

We have audited the financial statements of the North Central Ohio Solid Waste Management District of Allen, Champaign, Hardin, Madison, Shelby, and Union Counties, (the District), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 16, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated June 16, 2005, we reported a matter related to noncompliance we deemed immaterial.

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North Central Ohio Solid Waste Management District  
Allen, Champaign, Hardin, Madison, Shelby, and Union Counties  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 16, 2005



**NORTH CENTRAL OHIO SOLID WASTE MANAGEMENT DISTRICT  
ALLEN, CHAMPAIGN, HARDIN, MADISON, SHELBY, AND UNION COUNTIES**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	ORC 5705.36(A) Estimated Resources	Yes	
2002-002	ORC 5705.38 Appropriation Measure	Yes	
2002-003	Grant Approval and Accountability	Yes	





**Auditor of State  
Betty Montgomery**

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**NORTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
ALLEN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 4, 2005**