



**DKMM SOLID WASTE DISTRICT
MARION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006



Mary Taylor, CPA
Auditor of State

**DKMM SOLID WASTE DISTRICT
MARION COUNTY**

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Mary Taylor, CPA

Auditor of State

DKMM Solid Waste District
Marion County
222 West Center Street
Marion, Ohio 43302

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District 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 adverse 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 11, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

DKMM Solid Waste District
Marion County
222 West Center Street
Marion, Ohio 43302

To the Board of Directors:

We have audited the accompanying financial statements of the DKMM Solid Waste District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2007, and December 31, 2006. 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007, and December 31, 2006 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, 2007, and December 31, 2006, or its changes in financial position for the years 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 DKMM Solid Waste District, Marion County, Ohio, as of December 31, 2007 and its combined cash receipts and disbursements for the year then ended, and the cash balance and reserve for encumbrance as of December 31, 2006, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 July 11, 2008, 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.

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

Mary Taylor, CPA
Auditor of State

July 11, 2008

**DKMM SOLID WASTE DISTRICT
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Charges for Services	\$ 1,451,837	\$ -	\$ 1,451,837
Intergovernmental	-	226,000	226,000
Miscellaneous	39,667	-	39,667
	<u>1,491,504</u>	<u>226,000</u>	<u>1,717,504</u>
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Salaries	96,748	-	96,748
Materials and Supplies	24,687	-	24,687
Equipment	2,144	-	2,144
Contracts - Repair	2,520	-	2,520
Contracts - Services	1,157,312	164,798	1,322,110
Public Employees' Retirement	13,332	-	13,332
Workers' Compensation	226	-	226
Other	36,892	-	36,892
	<u>1,333,861</u>	<u>164,798</u>	<u>1,498,659</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	157,643	61,202	218,845
Fund Cash Balances, January 1, 2007	357,971	-	357,971
Fund Cash Balances, December 31, 2007	<u>\$ 515,614</u>	<u>\$ 61,202</u>	<u>\$ 576,816</u>
Reserve for Encumbrances, December 31, 2007	<u>\$ 170,448</u>	<u>\$ 61,202</u>	<u>\$ 231,650</u>

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

**DKMM SOLID WASTE DISTRICT
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash Receipts:	
Charges for Services	\$ 1,296,040
Miscellaneous	<u>32,066</u>
Total Cash Receipts	<u>1,328,106</u>
Cash Disbursements:	
Current Disbursements:	
Salaries	93,035
Materials and Supplies	31,405
Equipment	1,915
Contracts - Repair	2,477
Contracts - Services	1,270,025
Public Employees' Retirement	12,706
Workers' Compensation	315
Other	<u>38,044</u>
Total Cash Disbursements	<u>1,449,922</u>
Total Receipts Under Disbursements	(121,816)
Cash Balance, January 1, 2006	<u>479,787</u>
Cash Balance, December 31, 2006	<u><u>\$ 357,971</u></u>
Reserve for Encumbrances, December 31, 2006	<u><u>\$ 128,873</u></u>

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

**DKMM SOLID WASTE DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 DKMM Solid Waste District, Marion County, Ohio, (the District) as a body corporate and politic. The three Commissioners of Delaware, Knox, Marion, and Morrow Counties (i.e., DKMM) govern the District. The District provides 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. Accounting Basis

These financial statements follow the accounting basis 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

As the Ohio Revised Code permits, the Marion County Treasurer holds the District's cash as the District's custodian. The County holds the District's assets in its 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 account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

Market Development Grant Fund - This fund receives grant monies to be used for the continued operation and expansion of recycling programs.

**DKMM SOLID WASTE DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The District 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 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, 2007, and December 31, 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,322,000	\$1,491,504	\$169,504
Special Revenue	276,000	226,000	(50,000)
Total	\$1,598,000	\$1,717,504	\$119,504

**DKMM SOLID WASTE DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,689,971	\$1,504,309	\$185,662
Special Revenue	276,000	226,000	50,000
Total	<u>\$1,965,971</u>	<u>\$1,730,309</u>	<u>\$235,662</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,274,000	\$1,328,106	\$54,106

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,770,188	\$1,578,795	\$191,393

3. RETIREMENT SYSTEM

Retirement Rates	Year	Member Rate	Employer Rate
PERS – Local	2006	8.5%	13.55%
PERS – Local	2007	9.0%	13.70%

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.0% and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.70% and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

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.

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Mary Taylor, CPA

Auditor of State

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

DKMM Solid Waste District
Marion County
222 West Center Street
Marion, Ohio 43302

To the Board of Directors:

We have audited the financial statements of the DKMM Solid Waste District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2007, and December 31, 2006, and have issued our report thereon dated July 11, 2008, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding number 2007-001 is also a material weakness.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We intend this report solely for the information and use of the audit committee, management, and Board of Directors. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 11, 2008

**DKMM SOLID WASTE DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-001
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**Noncompliance Citation/Significant Deficiency/Material Weakness
Establishment of Special Revenue Fund**

In 2007, the District received Market Development and Community Development grant monies from the State recycling and litter prevention fund for the purposes outlined in the grant agreements between the District and the Ohio Department of Natural Resources. Section IV of both the Market Development and Community Development grant agreements state that the grantee shall implement the project and manage the grant funds in accordance with the grantee's 2007 Manager's Manual. The 2007 Market Development Grant and Community Development Grant Manager's Manual states that Ohio Rev. Code Section 1502.02 and the grant agreements require all grantees to create and maintain a separate account for grant funds received. This separate account must remain open throughout the effective dates of the grant agreement and during whatever additional time is necessary to close out all charges and payments related to the grant.

Furthermore, Ohio Rev. Code Section 5705.09(F) states that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The District did not establish a fund separate from their general operating fund to account for the revenues and disbursements related to the recycling and litter prevention grant monies. The activity from these grant monies in 2007 included \$226,000 in receipts and \$164,798 in disbursements.

We recommend the District establish a separate fund to account for grant revenue and expenditure activity, segregated from the general operating financial activity of the District. By establishing this fund, the District can gain assurance that revenues derived from grant monies restricted for specific purposes are segregated from general operating funds, and that the expenditures being paid for with these restricted funds are earmarked for that purpose. The accounting records and financial statements have been adjusted to reflect a special revenue fund.

Officials' Response

We did not receive a response from Officials' to the finding reported above.



Mary Taylor, CPA
Auditor of State

DKMM SOLID WASTE DISTRICT

MARION 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
SEPTEMBER 2, 2008**