



**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**

**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, 2002 and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 District as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2003, 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 grants. 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.

North Central Ohio Solid Waste Management District  
Allen, Champaign, Hardin, Madison, Shelby and Union Counties  
Independent Accountants' Report  
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This report is intended solely for the information and use of the audit committee, management, the Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

August 12, 2003

**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  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental		\$1,500	\$1,500
Landfill Fees	1,298,028		1,298,028
Interest	23,124		23,124
	<u>1,321,152</u>	<u>1,500</u>	<u>1,322,652</u>
<b>Total Cash Receipts</b>			
	<u>1,321,152</u>	<u>1,500</u>	<u>1,322,652</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries	132,675		132,675
Supplies and Materials	8,545		8,545
Equipment	14,309		14,309
Contracts - Services	58,090		58,090
Rental Facilities	12,845		12,845
Travel Expenses	21,776		21,776
Public Employee's Retirement	17,947		17,947
Group Insurance	28,551		28,551
Other	28,959		28,959
Grants	1,966,470	1,500	1,967,970
	<u>2,290,167</u>	<u>1,500</u>	<u>2,291,667</u>
<b>Total Cash Disbursements</b>			
	<u>2,290,167</u>	<u>1,500</u>	<u>2,291,667</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(969,015)</u>		<u>(969,015)</u>
<b>Other Financing Receipts</b>			
Reimbursements	3,073		3,073
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(965,942)</u>		<u>(965,942)</u>
<b>Fund Cash Balances, January 1</b>	<u>1,652,247</u>		<u>1,652,247</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$686,305</u></u>	<u><u>\$0</u></u>	<u><u>\$686,305</u></u>
<b>Reserve for Encumbrances, December 31</b>	<u><u>\$36,511</u></u>	<u><u>\$25,000</u></u>	<u><u>\$61,511</u></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  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental		\$100,000	\$100,000
Landfill Fees	1,218,005		1,218,005
Interest	62,466		62,466
	<u>1,280,471</u>	<u>100,000</u>	<u>1,380,471</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries	124,050		124,050
Supplies and Materials	4,625		4,625
Equipment	8,115		8,115
Contracts - Services	60,182		60,182
Rental Facilities	18,342		18,342
Travel Expenses	20,814		20,814
Public Employee's Retirement	16,308		16,308
Group Insurance	21,300		21,300
Other	25,368		25,368
Grants	983,159	100,000	1,083,159
	<u>1,282,263</u>	<u>100,000</u>	<u>1,382,263</u>
Total Cash Disbursements	<u>1,282,263</u>	<u>100,000</u>	<u>1,382,263</u>
Total Receipts Over/(Under) Disbursements	<u>(1,792)</u>		<u>(1,792)</u>
<b>Other Financing Receipts</b>			
Reimbursements	593		593
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(1,199)		(1,199)
Fund Cash Balances, January 1	<u>1,653,446</u>		<u>1,653,446</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,652,247</u></b>	<b><u>\$0</u></b>	<b><u>\$1,652,247</u></b>
Reserve for Encumbrances, December 31	<u>\$70,037</u>	<u>\$25,000</u>	<u>\$95,037</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**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The North Central Ohio Solid Waste Management District of Allen, Champaign, Hardin, Madison, Shelby and Union Counties, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

In accordance with Ohio Revised Code, the Allen County Treasurer is custodian for the District's monies. The District's cash and investments are held in the County's cash and investment pool, and are 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 is the general operating fund. It is used to account for 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 Fund:

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted 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 2002 and 2001 budgetary activity appears in Note 2.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

<b>2002 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,400,000	\$1,324,225	(\$75,775)
Special Revenue	0	1,500	1,500
Total	<b>\$1,400,000</b>	<b>\$1,325,725</b>	<b>(\$74,275)</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**2. BUDGETARY ACTIVITY (Continued)**

<b>2002 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$2,923,768	\$2,326,678	\$597,090
Special Revenue	0	26,500	(26,500)
<b>Total</b>	<b>\$2,923,768</b>	<b>\$2,353,178</b>	<b>\$570,590</b>

<b>2001 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,105,000	\$1,281,064	\$176,064
Special Revenue	0	100,000	100,000
<b>Total</b>	<b>\$1,105,000</b>	<b>\$1,381,064</b>	<b>\$276,064</b>

<b>2001 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$2,510,836	\$1,352,300	\$1,158,536
Special Revenue	0	125,000	(125,000)
<b>Total</b>	<b>\$2,510,836</b>	<b>\$1,477,300</b>	<b>\$1,033,536</b>

For both years 2002 and 2001, the District did not estimate the receipts, or make appropriations for the expenditures of the Special Revenue funds as required by Ohio. Rev. Code sections 5705.36(A) and 5705.38 respectively.

**3. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contribute 8.5% of their gross salaries. The District contributes an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2002.

**4. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for comprehensive property, general liability; and vehicles.

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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL 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 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, 2002 and December 31, 2001, and have issued our report thereon dated August 12, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 12, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-003.

**Internal Control Over Financial Reporting  
(Continued)**

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. 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, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 12, 2003.

This report is intended solely for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 12, 2003

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Ohio Revised Code Section 5705.36(A)** states “on or about the first day of each fiscal year, the fiscal officers of subdivisions are to address the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

For both 2002 and 2001, the Board did not include the estimated resources for the Special Revenue Funds in the operating budget.

The lack of inclusion of all sources of revenue from all funds allows for the possibility of misunderstandings and questions to arise as to the intent of Board actions.

The Board of the Solid Waste Management District should include estimated revenues for both the General fund and the Special Revenue funds.

**FINDING NUMBER 2002-002**

**Ohio Revised Code Section 5705.38** states that on or about the first day of each fiscal year, an appropriation measure is to be passed.

For both 2002 and 2001, the Board did not approve the annual appropriations of the Special Revenue Funds. Ohio Rev. Code Section 5705.41(B) stipulates that expenditures should not exceed appropriations. The expenditures of the Special Revenue Funds violated this requirement also, as the Board did not adopt any appropriations for the Special Revenue Funds.

The Board’s lack of approval over budgetary items allows for the possibility of misunderstandings and questions to arise as to the intent of Board actions.

The Board of the Solid Waste Management District should approve annual appropriations for both the General and Special Revenue funds.

**FINDING NUMBER 2002-003**

**Grant Approval and Accountability**

During the audit period, grant expenditures, in excess of one million dollars, were made to a single recipient without evidence of authorization by the Board for each payment. An initial agreement was made; however, the dollar amount of the award was not indicated, nor was there evidence in the minutes of Board approval of the agreement. In addition, there appears to be limited accountability required from the recipient for the expenditure of the grant award.

Lack of Board involvement and approval of the amounts being granted could lead to amounts being given in excess of amounts intended and the lack of accountability and subsequent review by the Board could result in money expended for purposes not intended.

An agreement which indicates the terms and award amount, and each payment of the award, should be brought to the Board’s attention for approval. In addition, accountability should be required for the expenditures made by the recipient, and the Board should review the activity and act accordingly.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

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>
2000 -60202-001	Revised Code Section 5705.28(B)(2)(a) failure to adopt operating budget by required date.	Yes	Budget is consistently adopted on the third Wednesday of July..
2000-60202-002	Revised Code Section 5705.36(A) failure to include all sources of revenue in the budget	No	Not corrected. Repeated as finding 2002-001.
2000-60202-003	Revised Code Section 5705.38 failure to include all appropriations in the budget	No	Not corrected. Repeated as finding 2002-002.





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Betty Montgomery**

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**NORTH CENTRAL OHIO 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  
OCTOBER 14, 2003**