



**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2004**



**Auditor of State  
Betty Montgomery**



**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Ottawa-Sandusky-Seneca Joint Solid Waste Management District  
Sandusky County  
602 West State Street  
Fremont, Ohio 43420-2534

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of Ottawa-Sandusky-Seneca Joint Solid Waste Management District, Sandusky County, Ohio (the District), as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the business-type activities of Ottawa-Sandusky-Seneca Joint Solid Waste Management District, Sandusky County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and its cash flows for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the District revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

May 25, 2006

**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

The discussion and analysis of the Ottawa-Sandusky-Seneca Joint Solid Waste Management District, (the "District") financial performance provides an overall review of the District's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the Notes to the Financial Statements and the basic financial statements to enhance their understanding of the District's financial performance.

**Using this Annual Financial Report**

The annual report consists of three parts, the Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. The Financial Statements include a Statement of Net Assets, a Statement of Receipts, Disbursements and Changes in Net Assets and a Statement of Cash Flow.

The following schedule provides a summary of the District's Statement of Net Assets for the years ended December 31, 2004 and December 31, 2003.

<b>Net Assets</b>		
<b>Assets</b>	<b>2004</b>	<b>2003</b>
Current Assets	\$521,657	\$1,271,269
<b>Total Assets</b>	<b>\$521,657</b>	<b>\$1,271,269</b>
<b>Net Assets</b>		
Unrestricted	\$521,657	\$1,271,269
<b>Total Net Assets</b>	<b>\$521,657</b>	<b>\$1,271,269</b>

Net assets decreased by \$749,612. The District saw a decrease in revenue for two reasons. Browning Ferrous Industries (BFI) merged with Allied Waste which changed the way waste was moved to facilities within the company. With the addition of more landfills, the company did not haul as much waste to BFI Port Clinton because they now had facilities closer to the generator's locations. The second reason involved the delay in receiving expansion permits from Ohio EPA. The facility was forced to reduce the amount of the waste they received at the facility to extend the landfill's capacity because the expansion did not happen on schedule. The District is paid per ton of waste which also had an effect on the revenues.

**Statement of Receipts, Disbursements and Changes In Net Assets**

The Statement of Receipts, Disbursements and Changes in Net Assets report operating activities for the calendar year ended December 31, 2004.

The following schedule provides a summary of the District's Statement of Receipts, Disbursements, and Changes in Net Assets for the calendar year December 31, 2004 and December 31, 2003:

<b>Change in Net Assets</b>		
	<b>2004</b>	<b>2003</b>
<b>Receipts</b>		
Grants	\$30,000	\$145,000
Charges for Services	600,463	813,867
Interest Income	17,836	26,702
Other	9,300	59,854
<b>Total Receipts</b>	<b>\$657,599</b>	<b>1,045,423</b>

**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

<b>Change in Net Assets</b>		
	<b>2004</b>	<b>2003</b>
<b>Disbursements</b>		
Personal Services	\$80,291	\$77,977
Fringe Benefits	22,809	22,307
Plan Implementation	1,041,871	842,561
Material and Supplies	2,624	2,518
Contract Services	97,137	168,388
Grants	150,000	125,000
Equipment	6,915	
Travel	2,398	
Other	3,166	8,069
Total Disbursements	<u>\$1,407,211</u>	<u>\$1,246,820</u>
<b>Change in Net Assets</b>	<u>(\$749,612)</u>	<u>(\$201,397)</u>

**Current Financial Related Activities**

The BFI landfill was waiting on an expansion permit from the Ohio EPA. The permit was granted and the expansion project has been completed. Waste haulers are now using the new cell from which the District receives user fees.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's cash basis finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact William L. Farrell, County Auditor at Sandusky County, 100 N. Park Avenue, Fremont, Ohio 43420.



**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT**

**SANDUSKY COUNTY**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2004*

	<u>Enterprise Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$521,657</u>
<i>Total Assets</i>	<u><u>\$521,657</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$521,657</u>
<i>Total Net Assets</i>	<u><u>\$521,657</u></u>

See accompanying notes to the basic financial statements.

**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT**

**SANDUSKY COUNTY**

*Statement of Cash Receipts, Disbursements  
and Changes in Fund Net Assets - Modified Cash Basis*

*Proprietary Fund*

*For the Year Ended December 31, 2004*

	<u>Enterprise Fund</u>
<b>Operating Receipts</b>	
Charges for Services	<u>\$600,463</u>
<b>Operating Disbursements</b>	
Personal Services	80,291
Fringe Benefits	22,809
Plan Implementation	1,041,871
Materials and Supplies	2,624
Contract Services	97,137
Equipment	6,915
Travel	2,398
Other	<u>3,166</u>
<i>Total Operating Disbursements</i>	<u>1,257,211</u>
<i>Operating Loss</i>	(656,748)
<b>Non-Operating Receipts (Disbursements)</b>	
Interest	17,836
Grants	30,000
Reimbursements and Rebates	9,300
Grants passed to recipient	<u>(150,000)</u>
<i>Total Non-operating Receipts (Disbursements)</i>	<u>(92,864)</u>
<i>Change in Net Assets</i>	(749,612)
<i>Net Assets Beginning of Year</i>	<u>1,271,269</u>
<i>Net Assets End of Year</i>	<u><u>\$521,657</u></u>

See accompanying notes to the basic financial statements.

**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

*Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2004*

	<u>Enterprise Fund</u>
<b>Decrease in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$600,463
Cash Payments to Employees for Services	(80,291)
Cash Payments for Employee Benefits	(22,809)
Cash Payments for Goods and Services	(1,150,945)
Other Cash Payments	(3,166)
<i>Net Cash Used in Operating Activities</i>	<u>(656,748)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	30,000
Reimbursements and rebates	9,300
Grants to others	(150,000)
<i>Net Cash Used in Noncapital Financing Activities</i>	<u>(110,700)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	17,836
<i>Net Decrease in Cash and Cash Equivalents</i>	(749,612)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,271,269
<i>Cash and Cash Equivalents End of Year</i>	<u>\$521,657</u>

See accompanying notes to the basic financial statements.

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**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - REPORTING ENTITY**

The Ottawa-Sandusky-Seneca Joint Solid Waste Management District, Sandusky County (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 a nine-member Board of Directors comprised of the three County Commissioners of Ottawa, Sandusky, and Seneca Counties. The Sandusky County Auditor is the fiscal agent. 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of a statement of net assets, a statement of receipts, disbursements and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

C. Cash and Investments

The District's cash is held and invested by the Sandusky County Treasurer, who acts as custodian for District monies. The District's assets are held in the County Treasurer's cash and investment pool, and are valued at the Treasurer's reported carrying amount.

**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

D. Budgetary Process

The District is not required to follow all of the budgetary provisions set forth in Ohio Revised Code 5705; however, the District voluntarily follows the requirements.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Board approves appropriation measures and subsequent amendments. The County Budget Commission approves the annual appropriation measure and amendments thereto. 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 District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

4. Non-Compliance

Forty percent of expenditure transactions were not certified by the fiscal officer at the time the commitment was incurred.

E. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

F. Capital Assets

Acquisitions of capital assets are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Accumulated Leave

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

**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

H. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District had no restricted net assets.

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last year the District reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the District has implemented the modified cash basis of accounting described in note 2.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The Sandusky County Treasurer maintains a cash pool used by all funds, including those of the District. The Ohio Revised Code prescribes allowable deposits and investments. The District's carrying amount of cash on deposit with the County at December 31, 2004, was \$521,657. The Sandusky County Treasurer, as fiscal agent for the District, is responsible for maintaining adequate depository collateral for all funds in the County's pooled and deposit accounts.

**NOTE 5 - DEFINED BENEFIT PENSION PLANS**

Ohio Public Employees Retirement System

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**NOTE 5 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002, were \$14,059, \$14,328, and \$14,645, respectively. The full amount has been contributed for 2004, 2003, and 2002.

**NOTE 6 - POSTEMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$4,150. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**NOTE 6 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at requirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expense.

**NOTE 7 – PUBLIC ENTITY RISK POOLS**

A. County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among fifty counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

B. County Commissioners Association of Ohio Service Corporation

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CAOSC) was established through the County Commissioners Association of Ohio (CCAO) as an insurance purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participants. The group executive committee consists of nine members. Two members are the president and treasurer of CAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

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**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***

Ottawa-Sandusky-Seneca Joint Solid Waste Management District  
Sandusky County  
602 West State Street  
Fremont, Ohio 43420-2534

To the Board of Directors:

We have audited the financial statements of the business-type activities of Ottawa-Sandusky-Seneca Joint Solid Waste Management District, Sandusky County, Ohio (the District) as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 25, 2006, wherein we noted the District revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. 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 in order 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.

**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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001.

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Ottawa-Sandusky-Seneca Joint Solid Waste Management District  
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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 the audit committee, 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

May 25, 2006

**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board of Directors.

To improve controls over disbursements, we recommend all District disbursements receive prior certification of the fiscal officer and the Board of Directors periodically review the expenditures made to ensure they are within the appropriations adopted by the Board of Directors, certified by the fiscal officer, and recorded against appropriations.

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**OTTAWA-SANDUSKY-SENECA JOINT SOLID WASTE MANAGEMENT DISTRICT  
SANDUSKY COUNTY**

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

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>
2003-001	<b>Ohio Revised Code § 5705.41 (D)</b> Expenditures had not been certified by the county auditor.	No	Repeated as Finding 2004-001.







**Auditor of State  
Betty Montgomery**

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**OTTAWA-SANDUSKY-SENECA JOINT SOLID  
WASTE MANAGEMENT DISTRICT**

**SANDUSKY 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  
JUNE 22, 2006**