



**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**



**Mary Taylor, CPA**  
Auditor of State



**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Four County Solid Waste District  
Defiance County  
500 Court Street, Suite E  
Defiance, Ohio 43512-2171

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Four County Solid Waste District, Defiance County, (the District) as of and for the year ended December 31, 2005, 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 modified cash financial position of the governmental activities and the major fund of the Four County Solid Waste District, Defiance County, Ohio as of December 31, 2005, and the changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2007, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

September 4, 2007

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Four County Solid Waste District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2005, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$193,656, or 22 percent.
- The District's program receipts are primarily tipping fees. These receipts represent 95 percent of the total cash received for governmental activities during the year.
- All activities of the District remained consistent in 2005 as compared to prior years.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

This annual report includes all activities for which the District is fiscally responsible. These activities, defined as the District's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Four County Solid Waste District.

The statement of net assets and the statement of activities reflect how the District did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the condition of the District's capital assets and infrastructure, and the reliance on non-local financial resources for operations.

In the statement of net assets and the statement of activities, we report governmental activities which include all of the District's basic services and are reported here. State grants and Tipping fees finance most of these activities.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the General Fund, which is the only fund of the District. The General Fund of the District is classified in governmental funds.

The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.



**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		
	2005	2004	Variance
<b>Assets</b>			
Cash and Cash Equivalents	\$1,083,862	\$890,206	\$193,656
Total Assets	<u>\$1,083,862</u>	<u>\$890,206</u>	<u>\$193,656</u>
<b>Net Assets</b>			
Unrestricted	\$1,083,862	\$890,206	\$193,656
Total Net Assets	<u>\$1,083,862</u>	<u>\$890,206</u>	<u>\$193,656</u>

As mentioned previously, net assets of governmental activities increased \$193,656 or 22 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Expenditures remained consistent from 2004 to 2005, however receipts increased due to higher tipping fees (\$311,366 in 2004 vs. \$465,931 in 2005).

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets from 2004 to 2005.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$465,931	\$311,366	\$154,565
Operating Grants and Contributions	2,203	8,000	(5,797)
Total Program Receipts	<u>468,134</u>	<u>319,366</u>	<u>148,768</u>
General Receipts:			
Interest	24,171	9,733	14,438
Total Receipts	<u>492,305</u>	<u>329,099</u>	<u>163,206</u>
Disbursements:			
General Government	42,443	29,627	12,816
Conservation	256,206	270,500	(14,294)
Total Disbursements	<u>298,649</u>	<u>300,127</u>	<u>(1,478)</u>
Increase in Net Assets	193,656	28,972	164,684
Net Assets, Beginning Balance	<u>890,206</u>	<u>861,234</u>	<u>28,972</u>
Net Assets, Ending Balance	<u>\$1,083,862</u>	<u>\$890,206</u>	<u>\$193,656</u>

Program receipts represent 95 percent of total receipts and are comprised of restricted intergovernmental receipts such as state grants as well as tipping fees. Program Receipts increased by \$148,768 (47%) due to an increase in tipping fee revenue.

General receipts represent 5 percent of the District's total receipts. They increased \$14,438 (148%) due to higher interest earnings in 2005.

Disbursements for General Government represent the overhead costs of running the District and the support services provided for the other Government activities. These include administration costs and local program cost allocations.

Conservation disbursements represent the monies disbursed to other local governments to run recycling programs.

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is conservation, which accounts for 86 percent of all governmental disbursements. General Government represents the remaining disbursements. The next two columns of the Statement entitled Program Receipts identify amounts received for charges for services and amounts paid by grants received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$42,443	\$42,443	\$29,627	(\$1,109)
Conservation	256,206	(211,928)	270,500	(18,130)
Total Expenses	\$298,649	(\$169,485)	\$300,127	(\$19,239)

The dependence on Tipping Fees is apparent as all of Governmental activities are supported through these program receipts.

**The District's Fund**

The General Fund had receipts of \$492,305 and disbursements of \$298,649. The fund balance of the General Fund increased \$193,656.

General Fund receipts exceeded disbursements by \$193,656.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The District has only one fund, the General Fund.

Actual receipts were above final budgeted receipts due to higher than anticipated tipping fees and interest revenue.

Final disbursements were budgeted at \$334,150 while actual disbursements were \$306,267.

**Capital Assets and Debt Administration**

**Capital Assets**

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Debt

At December 31, 2005, the District's outstanding debt was zero.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The District relies heavily on tipping fees.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Deborah S. Nester, Williams County Auditor, One Courthouse Square, Bryan, Ohio 43506-2171.

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	<u>\$ 1,083,862</u>
Total Assets	<u><u>\$ 1,083,862</u></u>
<b>Net assets:</b>	
Unrestricted	<u>\$ 1,083,862</u>
Total Net Assets	<u><u>\$ 1,083,862</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Cash Disbursements	Program Cash Receipts		Net Disbursements and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Total
<b>Governmental Activities</b>				
General Government	\$ 42,443			\$ (42,443)
Conservation	256,206	\$ 465,931	\$ 2,203	211,928
<i>Total Governmental Activities</i>	\$ 298,649	\$ 465,931	\$ 2,203	169,485
		<b>General Receipts</b>		
				24,171
				193,656
				890,206
				\$ 1,083,862

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCE  
GENERAL FUND  
DECEMBER 31, 2005

	<u>General</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	<u>\$ 1,083,862</u>
Total assets	<u><u>\$ 1,083,862</u></u>
<b>Net Assets:</b>	
Reserved:	
Reserved for Encumbrances	\$ 7,618
Unreserved:	
General Fund	<u>1,076,244</u>
Total Fund Balance	<u><u>\$ 1,083,862</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	General
<b>Cash Receipts:</b>	
Tipping Fees	\$ 465,931
Intergovernmental	2,203
Investment Income	24,171
<i>Total Cash Receipts</i>	492,305
 <b>Cash Disbursements:</b>	
Current:	
General Government	42,443
Conversation	256,206
<i>Total Cash Disbursements</i>	298,649
 <i>Excess of Cash Receipts over Cash Disbursements</i>	193,656
 Fund Cash Balance, January 1	890,206
 <i>Fund Cash Balance, December 31</i>	\$ 1,083,862

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Basis Receipts:</b>				
Charge for Services	\$ 290,000	\$ 290,000	\$ 465,931	\$ 175,931
Intergovernmental			2,203	2,203
Investment Income	5,700	5,700	24,171	18,471
<i>Total Budgetary Basis Receipts</i>	<u>295,700</u>	<u>295,700</u>	<u>492,305</u>	<u>196,605</u>
<b>Budgetary Basis Disbursements:</b>				
Current:				
General government:	77,150	77,150	50,061	27,089
Conservation	<u>257,000</u>	<u>257,000</u>	<u>256,206</u>	<u>794</u>
<i>Total Budgetary Basis Disbursements</i>	<u>334,150</u>	<u>334,150</u>	<u>306,267</u>	<u>27,883</u>
<i>Excess (deficiency) of Budgetary Basis Receipts over (under) Budgetary Basis Disbursements</i>	<u>(38,450)</u>	<u>(38,450)</u>	<u>186,038</u>	<u>224,488</u>
Fund Cash Balance, January 1	888,838	888,838	888,838	
Prior year encumbrances appropriated	<u>1,368</u>	<u>1,368</u>	<u>1,368</u>	
<i>Fund Cash Balance, December 31</i>	<u><u>\$ 851,756</u></u>	<u><u>\$ 851,756</u></u>	<u><u>\$ 1,076,244</u></u>	<u><u>\$ 224,488</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Four County Solid Waste District, Defiance County, Ohio (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 was created under Chapter 343 and §§ 3734.52 and 3734.57 of the Ohio Revised Code. The District is directed by a twelve member Board of Directors comprised of three County Commissioners of Defiance, Fulton, Paulding and Williams Counties. The District provides solid waste disposal, recycling opportunities, and other waste management services to these counties.

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The District's management believes these financial statements present all activities for which the District is financially accountable.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are grouped into the governmental category.

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance.

The General Fund reports all financial resources. The General fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

**C. Basis of Presentation**

The District has implemented the provisions of Governmental Auditing Standards Board (GASB) Number 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United State of America. The District's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and the fund statements that provide a more detailed level of financial information.

**D. Government – Wide Financial Statements**

The statement of net cash assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

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

The statement of net assets – modified cash basis presents the cash basis financial condition of governmental activities of the District at year – end. The statement of activities – modified cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District’s governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self – financing or draws from the general cash receipts of the District.

**E. 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. 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, in accordance with the basis of accounting described in the preceding paragraph.

**F. 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 level of control, and appropriations may not exceed estimated resources. 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 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.

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

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

**G. Cash and Investments**

In accordance with Ohio Revised Code, the Williams 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.

**H. 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.

**I. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies items are reported as disbursements when purchased.

**J. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**K. Net Assets**

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**2. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the *modified* cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$7,618 for the general fund.



# 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*

Four County Solid Waste District  
Defiance County  
500 Court Street, Suite E  
Defiance, Ohio 43512-2171

To the Board of Directors:

We have audited the financial statements of the governmental activities and the major fund of the Four County Solid Waste District, Defiance County (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 4, 2007, wherein we noted the District prepared its statements on the modified cash basis of accounting. 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 opinions on the financial statements and not to opine 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 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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 preparing 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 material weaknesses. However, we do not believe the reportable condition described above is 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 4, 2007

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Reportable Condition - Monitoring of Financial Activity**

Inaccurate posting of transactions including inaccuracies in Management's Discussion and Analysis, impedes the ability of the Board to accurately assess the financial status of the District. We noted the following during our audit:

- Current year encumbrances were posted to the prior year encumbrance appropriated line item on the budgetary statement
- Current year encumbrances were not included with actual expenditures on the budgetary statement.
- Management's Discussion and Analysis did not include prior period comparative financial statement information.

As a result, the District's financial statements did not correctly reflect the financial activity of the District. The accompanying financial statements have been adjusted so this activity is properly reflected.

We recommend that the District adopt policies and procedures including a final review of the financial statements and Management's Discussion and Analysis by the Coordinator and the Board to ensure that errors and omissions are detected and corrected.

**Official's Response**

We did not receive a response from Officials to this finding.







**Mary Taylor, CPA**  
Auditor of State

**FOUR COUNTY SOLID WASTE DISTRICT  
DEFIANCE 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 4, 2007**