



Certified Public Accountants, A.C.

**DKMM SOLID WASTE DISTRICT
KNOX COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St.,
Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave.,
Suite 300
Cambridge, OH 43725
740.435.3417

www.perrycpas.com



Dave Yost • Auditor of State

Board of Directors
DKMM Solid Waste District
117 E. High St. Suite 257
Mt. Vernon OH, 43050

We have reviewed the *Independent Auditor's Report* of the DKMM Solid Waste District, Knox County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The DKMM Solid Waste District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 9, 2018

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**DKMM SOLID WASTE DISTRICT
KNOX COUNTY**

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INDEPENDENT AUDITOR'S REPORT

June 29, 2018

DKMM Solid Waste District
Knox County
117 E. High St. Suite 257
Mt. Vernon OH, 43050

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **DKMM Solid Waste District**, Knox County, (the District) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2017 and 2016, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of DKMM Solid Waste District, Knox County as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**DKMM SOLID WASTE DISTRICT
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Contract Fees	\$ 1,628,765	\$ -	\$ 1,628,765
Miscellaneous Income	454	-	454
Reimbursements	18,670	-	18,670
Ohio EPA Grant	-	1,379	1,379
	<u>1,647,889</u>	<u>1,379</u>	<u>1,649,268</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Salaries	98,133	-	98,133
Fringe Benefits	54,553	-	54,553
Materials & Supplies	219	-	219
Contracts - Repair	948	-	948
Contracts - Services	1,230,908	-	1,230,908
Advertising & Printing	1,894	500	2,394
Travel	1,387	-	1,387
Other	9,758	-	9,758
	<u>1,397,800</u>	<u>500</u>	<u>1,398,300</u>
<i>Total Cash Disbursements</i>			
<i>Net Change in Fund Cash Balances</i>	250,089	879	250,968
<i>Fund Cash Balances, January 1</i>	<u>1,467,436</u>	<u>124,120</u>	<u>1,591,556</u>
Fund Cash Balances, December 31			
Restricted	-	124,999	124,999
Assigned	151,336	-	151,336
Unassigned	1,566,189	-	1,566,189
	<u>\$ 1,717,525</u>	<u>\$ 124,999</u>	<u>\$ 1,842,524</u>
<i>Fund Cash Balances, December 31</i>			

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

DKMM Solid Waste District
Knox County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the DKMM Solid Waste District, Knox County, (the District) as a body corporate and politic. The three Commissioners of Delaware, Knox, Marion and Morrow Counties govern the District. 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

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

Community Development Grant This fund receives grant monies to be used for the continued operation and expansion of recycling and litter prevention programs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

DKMM Solid Waste District
Knox County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

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 2017 budgetary activity appears in Note 3.

Deposit and Investments

As the Ohio Revised Code permits, the Knox County Treasurer holds the District's deposits as the District's custodian. The County holds the District's assets in its investment pool, valued at the Treasurer's reported carrying amount.

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Commissioners can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Commissioners or a District official delegated that authority by resolution, or by State Statute.

DKMM Solid Waste District
Knox County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,468,872	\$ 1,647,890	\$ 179,018
Special Revenue	126,379	1,379	(125,000)
Total	\$ 1,595,251	\$ 1,649,269	\$ 54,018

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,518,725	\$ 1,437,180	\$ 81,545
Special Revenue	124,121	500	123,621
Total	\$ 1,642,846	\$ 1,437,680	\$ 205,166

Note 4 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Combined Liability;
- Property Coverage
- Time element coverage
- Crime coverage.

DKMM Solid Waste District
Knox County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Note 6 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 7 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**DKMM SOLID WASTE DISTRICT
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Contract Fees	\$1,591,074	\$ -	\$ 1,591,074
Miscellaneous Income	1,289	-	1,289
Reimbursements	78,854	-	78,854
Ohio EPA Grant	-	137,500	137,500
<i>Total Cash Receipts</i>	<u>1,671,217</u>	<u>137,500</u>	<u>1,808,717</u>
Cash Disbursements			
Current:			
Salaries	95,275	-	95,275
Fringe Benefits	43,761	-	43,761
Materials & Supplies	352	-	352
Equipment	228	-	228
Contracts - Repair	943	-	943
Contracts - Services	1,283,972	14,323	1,298,295
Advertising & Printing	1,101	599	1,700
Travel	762	-	762
Other	10,811	-	10,811
<i>Total Cash Disbursements</i>	<u>1,437,205</u>	<u>14,922</u>	<u>1,452,127</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>234,012</u>	<u>122,578</u>	<u>356,590</u>
Other Financing Receipts & Disbursements			
Transfers In	-	1,542	1,542
Transfers Out	(1,542)	-	(1,542)
<i>Total Other Financing Receipts & Disbursements</i>	<u>(1,542)</u>	<u>1,542</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	232,470	124,120	356,590
<i>Fund Cash Balances, January 1</i>	<u>1,234,966</u>	<u>-</u>	<u>1,234,966</u>
Fund Cash Balances, December 31			
Restricted	-	124,120	124,120
Assigned	46,768	-	46,768
Unassigned	1,420,668	-	1,420,668
<i>Fund Cash Balances, December 31</i>	<u>\$1,467,436</u>	<u>\$ 124,120</u>	<u>\$ 1,591,556</u>

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

DKMM Solid Waste District
Knox County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the DKMM Solid Waste District, Knox County, (the District) as a body corporate and politic. The three Commissioners of Delaware, Knox, Marion and Morrow Counties govern the District. The District provides solid waste disposal, recycling opportunities, and other waste management services to these counties.

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DKMM Solid Waste District
Knox County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

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 2016 budgetary activity appears in Note 3.

Deposit and Investments

As the Ohio Revised Code permits, the Knox County Treasurer holds the District's deposits as the District's custodian. The County holds the District's assets in its investment pool, valued at the Treasurer's reported carrying amount.

Capital Assets

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DKMM Solid Waste District
Knox County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,413,500	\$ 1,671,217	\$ 257,717
Special Revenue	31,600	139,042	107,442
Total	\$ 1,445,100	\$ 1,810,259	\$ 365,159

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,611,096	\$ 1,487,176	\$ 123,920
Special Revenue	31,600	14,922	16,678
Total	\$ 1,642,696	\$ 1,502,098	\$ 140,598

Note 4 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Combined Liability;
- Property Coverage
- Time element coverage
- Crime coverage.

DKMM Solid Waste District
Knox County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Defined Benefit Pension Plans

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The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

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Note 7 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



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

June 29, 2018

DKMM Solid Waste District
Knox County
117 E. High Street Suite 257
Mt. Vernon, Ohio 43050

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of **DKMM Solid Waste District**, Knox County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 29, 2018, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2017-001 through 2017-003 to be material weaknesses.

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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, opining 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 also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 29, 2018.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**DKMM SOLID WASTE DISTRICT
KNOX COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-001

Material Weakness

Duplicate Receipts

Prenumbered duplicate receipts were not written for monies received. The management of the District should require that a prenumbered duplicate receipt be issued each time one is received. Failure to issue and retain dated, prenumbered duplicate receipts for each receipt transaction increases the possibility of misappropriation of funds and eliminates the source documentation necessary to verify the completeness and accuracy of receipts and bank deposits.

Management's Response – As a result of the conversations that I had with both you and Jenna Hicks, District Director, concerning our Special Collection Events, I believe that Jenna and I have developed a solution to the duplicate receipt issue. We will continue to use our paper slips that we currently complete (which details what was collected – both requiring fees and non-fee items), but will include the resident's name, a sequential numbering system, as well as a place for the resident to initial the receipt.

FINDING NUMBER 2017-002

Material Weakness

Interfund Transfers Reporting

In 2016, the District transferred \$1,542 from the General Fund to the Special Revenue Fund. However, the transfer was posted incorrectly as a positive in the General Fund transfer out line item on the financial statements. In the Special Revenue fund, the transfer in was recorded as DKMM Matched Fund revenue line item. The misposting caused an incorrect end of year fund balance on the annual financial statements. This error has been corrected on the financial statements.

By not properly recording all interfund activity such as transfers between funds in their entirety, errors in financial reporting could occur. The District should implement procedures to properly review all interfund activity and financial statement presentation to improve financial reporting and accountability.

Management's Response – As we discussed, this was a clerical posting error when transferring monies from our General Fund to our Market Development Fund for DKMM's match to that grant. The Cash Basis worksheet did balance to the report, but I didn't notice that it was not balanced to my year-end reports. I typically always verify all balances are correct before submitting the Annual Regulatory Statements, but will be even more diligent in the future.

DKMM SOLID WASTE DISTRICT
KNOX COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-003

Material Weakness

Fund Balance Classifications

Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting & Governmental Fund Type Definitions".

During 2017 and 2016, fund balances were not always classified correctly. The following errors were noted:

- Fund balance for restricted Special Revenue Fund 953 was classified as unassigned and assigned in 2016. In 2017 the entire fund was classified as unassigned.

Not classifying fund balances accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

We recommend the District's Fiscal Officer review Governmental Accounting Standards Board (GASB) Statement No. 54 and AOS Bulletin 0211-004 for guidance on why these funds should be classified as restricted.

Management's Response – Upon reviewing the classifications again, I realize that I did classify the Special Revenue funds incorrectly. This has been noted on my 2017 copy of my Regulatory Statements, and I will be sure to make that correct in my 2018 filing.



Dave Yost • Auditor of State

DKMM SOLID WASTE DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST, 21 2018**