STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
TUSCARAWAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003

Auditor of State
Betty Montgomery

STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
TUSCARAWAS COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Stark-Tuscarawas-Wayne Joint Solid Waste Management District
Tuscarawas County
9918 Wilshire Blvd. NE
Bolivar, Ohio 44612

To the Board of Directors:

We have audited the accompanying general-purpose financial statements of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, Ohio, (the District) as of and for the year ended December 31, 2003, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, Ohio, as of December 31, 2003, and the results of its operations and the cash flows of its enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Betty Montgomery

Betty Montgomery
Auditor of State

July 15, 2004

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STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
TUSCARAWAS COUNTY

BALANCE SHEET - ALL FUND TYPES
AS OF DECEMBER 31, 2003

	Enterprise Fund	General Fund	Totals (Memorandum Only)
ASSETS			
Cash and Cash Equivalents	$ 2,712,883	$ 2,338,207	$ 5,051,090
Investments	3,683,802		3,683,802
Tipping Fees Receivable	678,187		678,187
Unused Grants Receivable	166,587		166,587
Interest Receivable	16,654		16,654
Due from Enterprise Fund		180,744	180,744
Property, Plant and Equipment (Net of Accumulated Depreciation)	459,356		459,356
Total Assets	$ 7,717,469	$ 2,518,951	$ 10,236,420
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts Payable	$ 637,594		$ 637,594
Accrued Wages	8,959		8,959
Compensated Absences	129,429		129,429
Due to General Fund	180,744		180,744
Total Liabilities	956,726		956,726
FUND EQUITY AND OTHER CREDITS			
Retained Earnings: Unreserved	6,760,743		6,760,743
Fund Balance			
Unreserved-Undesignated		$ 2,518,951	2,518,951
Total Fund Equity and Other Credits	6,760,743	2,518,951	9,279,694
TOTAL LIABILTIES, RETAINED EARNINGS AND FUND BALANCE	$ 7,717,469	$ 2,518,951	$ 10,236,420

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

STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
TUSCARAWAS COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ENTERPRISE FUND

FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise Fund
OPERATING REVENUES	
Tipping Fees	
Inside District	$ 888,040
Outside District	3,880,197
Outside State	568,424
Total Operating Revenues	5,336,661
OPERATING EXPENSES	
Salaries	199,308
Employee Benefits and Payroll Taxes	28,987
Financial Assistance to City/County Boards of Health	387,848
Recycling and Composting Grants	1,115,430
Appliance, Battery and Oil Collections	968,416
County Sheriff's Grants	515,190
Education Grants	348,703
District Programs	730,041
Landfill and Tire Clean-ups	82,064
Professional Fees	250,630
Office Supplies	8,543
Telephone	7,806
Utilities	4,627
Postage and Meter	71,216
Printing and Brochures	46,122
Employee Travel and Expenses	10,148
Advertising	45,525
Cleaning and Maintenance	15,919
Dues and Subscriptions	1,839
Seminars and Public Education	1,392
Insurance	57,352
Depreciation	24,068
Miscellaneous	3,194
Total Disbursements	4,924,368
Net Income	412,293
RETAINED EARNINGS, BEGINNING OF YEAR	6,348,450
RETAINED EARNINGS, END OF YEAR	**$ 6,760,743**

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

STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
TUSCARAWAS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund
REVENUES	
Interest Income, Net of Bond Premium Amortization	$ 132,795
FUND BALANCE, BEGINNING OF YEAR	2,386,156
FUND BALANCE, END OF YEAR	**$ 2,518,951**

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

STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
TUSCARAWAS COUNTY

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	ENTERPRISE
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 412,293
Noncash Items Included in Excess (Deficiency) of Revenues Over Expenses	
Depreciation	24,068
Amortization of Bond Premium	4,522
Changes in Assets and Liabilities	
Tipping Fees Receivable	(250,827)
Unused Grants Receivable	119,817
Interest Receivable	25,596
Accounts Payable	(87,071)
Accrued Wages	3,500
Compensated Absences	54,008
Due to General Fund	(53,367)
Net Cash Provided by Operating Activities	252,539
CASH FLOWS FROM INVESTING ACTIVITIES	
Maturity of Investments	4,953,234
Purchase of Investments	(3,693,864)
Net Cash Provided by Investing Activities	1,259,370
Increase in Cash and Cash Equivalents	1,511,909
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,200,974
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,712,883

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas 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 formed on November 28, 1988 pursuant to Chapters 343 and 3734 of the Ohio Revised Code. The District is directed by a 9-member Board of Directors comprised of the three County Commissioners of Stark, Tuscarawas, and Wayne Counties. The District provides solid waste disposal, recycling opportunities, and other waste management services to these counties.

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14, the District's financial statements include all funds and activities over which the District's Board of Directors and Executive Director are financially accountable.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Presentation

The District's financial statements are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets and other financial resources, together with all related liabilities and residual equity or balances, and changes therein, which are segregate for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District has established the Enterprise Fund to receive landfill fees levied under Divisions (B)(1) to (3) of Section 3734.57 of the Ohio Revised Code. Such fees are to be expended in accordance with the provisions outlined in Section 3734.57 of the Ohio Revised Code. This Fund is a proprietary fund type in which funds account for operations that are organized to be self-supporting through user charges.

Under Section 5705.10 of the Ohio Revised Code, all interest income derived from the Enterprise Fund assets shall be paid directly into the General Fund. Amounts due the General Fund from the Enterprise Fund represent interest earnings not transferred at year end. This Fund is a governmental fund type in which the Fund is charged with all operating costs of the District for which a separate fund has not been established.

C. Basis of Accounting

The Enterprise Fund is accounted for using the accrual basis of accounting, in which revenues are recognized when they are earned, and expenses are recognized when they are incurred. It is the District's policy to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 to the Enterprise Fund that do not conflict with or contradict Government Standards Board pronouncements.

The General Fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both available and measurable rather than when earned, and expenditures are recognized when paid rather than when the liability is incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

The District considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

E. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is used to account for interest income.

2. Enterprise Fund

The District maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the District. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

F. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. Due to minimal activity occurring in the General Fund, the District did not budget for this fund.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments.

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.

Contrary to Ohio Rev. Code 5705.41(D), the District had expenditures which were not certified by the Executive Director as to the availability of funds, prior to incurring the obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Tipping Fees Receivable

Tipping fees receivable represent amounts due from landfills for waste collected. Credit is extended based on an evaluation of a business or individual's financial condition and generally, collateral is not required.

H. Property, Plant and Equipment

The District maintains a capitalization threshold of $500. Property and equipment is stated at cost less accumulated depreciation. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are generally capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Depreciation of property and equipment is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Building	40 years
Land Improvements	19 years
Vehicles	5 years
Furniture and Fixtures	5 years

I. Investments

The District carries investments in debt securities at amortized cost. The District's policy is to recognize only those losses that are permanent.

J. Vacation and Sick Leave

District employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

K. Pensions

The provision for pension cost is recorded on an accrual basis, and the District's policy is to fund pension costs as they accrue.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the District, these revenues are tipping fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District.

M. Income Taxes

The District is a Government entity and, as a result, is exempt from Federal and state income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Memorandum Only - Total Columns

Total columns on the Balance Sheet are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation.

O. Use of Estimates

The preparation of financial statements (Enterprise Fund) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Equity in Pooled Cash and Cash Equivalents." Statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Directors has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Interim monies may be invested or deposited in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the District's deposits was $297,800 and the bank balance was $298,941. Of the bank balance:

1. $100,000 was covered by federal depository insurance; and

2. $198,941 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: The District's Investments are required to be categorized to give an indication of the custodial credit level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the Districts name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Carrying Amount	Fair Value
U.S. Treasury Note, 2.125%, due 08/31/04	$ 1,207,787	$ 1,207,787	$ 1,208,250
U.S. Treasury Note, 1.625%, due 01/31/05	1,200,419	1,200,419	1,204,875
U.S. Treasury Note, 1.125%, due 06/30/05	1,275,596	1,275,596	1,268,227
Investment in State Treasurer's Invesment Pool (STAR Ohio)		4,753,290	4,753,290
Total Investments		$ 8,437,092	$ 8,434,642

The classification of cash and cash equivalents and investments on the Balance Sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	$ 5,051,090	$ 3,683,802
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool (STAR Ohio)	(4,753,290)	4,753,290
GASB Statement No. 3	$ 297,800	$ 8,437,092

3. DEFINED BENEFIT PENSION PLANS

Pension Benefit Obligation

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% 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 the retirement system 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 stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, 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 2003 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The District's total covered payroll for the years ended December 31, 2003, 2002 and 2001 were $145,300, $134,082, and $125,564, respectively. The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were $24,773, $22,861, and $22,350 respectively; 100 percent has been contributed for 2003 and 100 percent for 2002 and 2001.

The contribution requirement to fund the pension obligation for the year ended December 31, 2003 was $24,773, which consisted of $12,423 from the District and $12,350 from the employees, which met the required percentages. The contribution requirements were also met in 2002 and 2001.

Post Employment Benefits

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 2003 local government employer contribution rate was 13.55 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

3. DEFINED BENEFIT PENSION PLANS (Continued)

Post Employment Benefits (Continued)

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, 2002, 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 4.00 percent annually.

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 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were $7,265. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care “Choices” Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

4. FIXED ASSETS

Fixed asset activity for the fiscal year ended December 31, 2003 was as follows:

	Balance 1/1/2003	Additions	Deletions	Balance 12/31/2003
Property & Equipment				
Land improvements	$99,651	$0	$0	$99,651
Building	462,396	0	0	462,396
Furniture and fixtures	58,111	0	0	58,111
Vehicles	40,286	0	0	40,286
Total Property & Equipment	660,444	0	0	660,444
Less accumulated depreciation	(177,020)	(24,068)	0	(201,088)
Total Property & Equipment less accumulated depreciation	$483,424	($24,068)	$0	$459,356

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The employees of the District are also provided health insurance, and dental and vision coverage is also available to full-time employees through a private carrier.

6. CONTINGENT LIABILITIES

Several claims and lawsuits are pending against the District. In the opinion of the District's legal counsel, the outcome of these claims and lawsuits is unable to be determined. District management believes that these claims and lawsuits will not have a material effect on the District's financial statements.

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Stark-Tuscarawas-Wayne Joint Solid Waste Management District
Tuscarawas County
9918 Wilshire Blvd. NE
Bolivar, Ohio 44612

To the Board of Directors:

We have audited the accompanying general-purpose financial statements of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, Ohio, (the District) as of and for the year ended December 31, 2003, and have issued our report thereon dated July 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general-purpose financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001.

We also noted an immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated July 15, 2004.

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 for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-002 and 2003-003.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2003-002 and 2003-003 listed above to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated July 15, 2004.

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

Betty Montgomery

Betty Montgomery
Auditor of State

July 15, 2004

SCHEDULE OF FINDINGS
DECEMBER 31, 2003

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that both at the time that the contract or order was made and at the time he is completing his certification a sufficient sum was appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

B. If the amount involved is less than $1000 (which increased to $3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Board upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful.

None of the expenditures tested were certified by the Executive Director (the District’s fiscal officer) prior to incurring the commitment and the two exceptions noted above were not utilized. The District should inform all District employees of the requirements of Ohio Rev. Code Section 5705.41(D) and the importance of certifying the availability of funds. The District should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.
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**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-002

Material Weakness - Excessive Use of Credit Cards

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. [Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985)]. Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074. Because of the strict liability standard, the Board could face potential findings related to the use of credit cards.

During 2003, the following was noted with regard to credit cards:

- The credit card policy adopted by the Board was vague in terms of approved uses and limitations of the card
- The credit card limits approved in the Board policy were not adhered to
- Credit card purchases were not always supported by an original detailed receipt
- Credit cards were utilized for personal use with subsequent reimbursements made to the District ($145.14 noted)
- Several of the charges made on the credit card included sales tax ($61.23 noted).

As a result, the risk of the District's credit cards being used for personal gain or other unauthorized purpose is increased. In addition, the risk of the District's reimbursing employees for unallowable expenses is increased.

The District should consider terminating or limiting the use of credit cards to make routine purchases of supplies and travel reimbursements. In addition, the District should revise its current credit card policy, as evidenced in the minute records, which should outline, at a minimum, the following:

- Specific number of credit cards to be issued
- Maximum credit card limit to be obtained on each card
- Authorized individuals to make credit card purchases
- Procedures to safeguard credit cards when not in use
- Specific purchases for which credit cards may be used (e.g. what constitutes a business lunch)
- Procedures for submitting receipts to the Executive Director for payment (e.g. for business meals, detailed receipts should be submitted and documentation indicating why the expenditure was made and if applicable what parties attended and their affiliation with the District)
- Individuals required to monitor and review credit card purchases for propriety
- Establish procedures for review and approval of credit card purchases.

The District should also pay its credit card statements in full each month to avoid finance charges. In addition, the District should notify all vendors of its tax exempt status prior to making purchases. The Board should carefully monitor the District's credit card purchases (i.e. review all receipts submitted) to make sure the expenditures are made in accordance with the approved policy and are for a proper public purpose.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-003

Material Weakness - Leave Records

During 2003, the following were noted with regards to leave records:

- Beginning balances were overstated due to incorrect prior year ending balances being carried forward to 2003
- Leave accrual is tracked manually by the Executive Director and is not included on pay stubs preventing a check and balance that leave accrual and leave taken recorded on the manual attendance record is accurate through employees' review of their outstanding leave balances
- Leave forms are not utilized for request and approval of leave taken by employees
- The District has not established a policy addressing the accrual and use of comp time earned for overtime worked by employees
- Employees' vacation balances exceeded the maximum carryover limit allowed in the vacation leave policy.

As a result, accumulated leave balance may not be complete and accurate and errors or irregularities may not be detected timely.

We recommend the following:

- A computerized attendance record should be maintained rather than a manual record or manual records should be recomputed to help prevent mathematical errors
- In addition to maintaining an attendance record, leave accrual should also be entered into the computerized payroll system and included on employees' pay stubs for verification
- Formal leave forms should be prepared by employees for all leave taken (ie, vacation, sick, comp time, bereavement, etc.) and approved by the Executive Director or the Board of Directors for leave used by the Executive Director to ensure requested leave is properly authorized. These leave forms should be compared to attendance records to ensure all leave taken is posted. This will help ensure vacation and sick leave balances and usages are properly maintained and authorized.
- The District should adopt a formal overtime policy which states who is entitled to overtime/comp time; the amount and rate at which overtime/comp time will be paid/accrued; the procedures to request comp time; and the maximum amount of comp time that can be accrued.
- Attendance records should be closely monitored to prevent employees from exceeding the maximum vacation balance established in the District leave policy. This will help ensure employees are not compensated for more leave than they are entitled to.

This will help ensure accumulated leave records are complete and accurate and errors or irregularities are detected timely.

STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2002-001	Ohio Rev. Code Section 5705.41(D) - expenditures were not properly certified	No	Not Corrected - Refer to Finding 2003-001.
2002-002	Frequent Use of Credit Cards	No	Not Corrected - Refer to Finding 2003-002.

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STARK-TUSCARAWAS-WAYNE JT. SOLID WASTE MANAGEMENT DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 28, 2004