

SUMMIT/AKRON SOLID WASTE  
MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND 2002





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Summit/Akron Solid Waste Management Authority

We have reviewed the Independent Auditor's Report of the Summit/Akron Solid Waste Management Authority, Summit County, prepared by Watson, Rice & Co., for the audit period January 1, 2003 through December 31, 2003. 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 Summit/Akron Solid Waste Management Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 22, 2004

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SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Summit/Akron Solid Waste Management Authority  
12 East Exchange Street – 3<sup>rd</sup> Floor  
Akron, Ohio 44308

We have audited the modified cash basis financial statements of the Summit/Akron Solid Waste Management Authority (“the Authority”) as of December 31, 2003 and 2002. These financial statements are the responsibility of the Authority’s management. It is our responsibility to express an opinion on these financial statements based on our audits.

We have conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Authority prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and retained earnings – modified cash basis of the Summit/Akron Solid Waste Management Authority as of December 31, 2003 and 2002, and the related statements of cash receipts, disbursements and changes in retained earnings – modified cash basis, the statements of cash flows – modified cash basis and the statements of cash receipts, disbursements, and encumbrances – budget and actual – modified cash basis for the years then ended on the basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2004 on our consideration of the Authority'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 audits.

Watson Rice & Co.

Watson, Rice & Company  
March 19, 2004



SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
STATEMENT OF ASSETS, LIABILITIES, AND RETAINED EARNINGS - MODIFIED  
CASH BASIS AS OF DECEMBER 31, 2003 AND 2002

ASSETS	ENTERPRISE FUND	
	December 31, 2003	December 31, 2002
CURRENT ASSETS:		
Cash	\$11,327	\$15,351
Investments - Unrestricted (Note 2)	701,925	620,521
Investments - Restricted (Note 3)	272,600	
Recycle Ohio Grant Receivable	28,300	22,931
	1,014,152	658,803
FIXED ASSETS:		
Land and Land Improvements	176,201	176,201
Building and Improvements	228,814	228,814
Vehicles	24,018	24,018
Equipment	109,054	107,776
Furniture and Fixtures	25,029	25,209
Leasehold Improvements	17,610	17,610
Web Site	3,850	3,850
Work in Process	0	6,668
	584,576	590,146
TOTAL FIXED ASSETS (Note 4)	584,576	590,146
Less Accumulated Depreciation (Note 4)	(179,236)	(165,431)
	405,340	424,715
OTHER ASSETS:		
Deposits	566	566
TOTAL ASSETS	\$1,420,058	\$1,084,084
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES:		
Withholdings Due Other Governments	\$525	\$352
RETAINED EARNINGS:		
Retained Earnings - Unrestricted	987,072	923,871
Retained Earnings - Restricted for Subgrantee (Note 3)	272,600	
Contributed Capital	159,861	159,861
	1,419,533	1,083,732
TOTAL LIABILITIES AND RETAINED EARNINGS	\$1,420,058	\$1,084,084

The accompanying footnotes are an integral part of these financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN RETAINED EARNINGS - MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2003 AND 2002

	ENTERPRISE FUND	
	December 31, 2003	December 31, 2002
OPERATING REVENUES:		
Generation Fees	\$1,499,821	\$1,508,565
Recycle Ohio Grant	141,500	135,910
Household Hazardous Waste Contributions and Tire Fees	8,801	7,501
Miscellaneous	2,161	3,311
	1,652,283	1,655,287
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Household Hazardous Waste Recycling Center Expenses	\$513,125	\$613,803
Health Department Contracts	254,199	344,787
Personnel - Salaries and Benefits	370,509	309,063
Recycle Ohio Grant	120,521	175,809
Occupancy	49,503	46,212
Office	17,048	22,844
Professional	93,702	99,156
Depreciation	37,056	31,813
Vehicles and Travel Expense	6,349	5,617
Newsletter		4,852
Brochures	2,032	2,878
Postage	3,083	2,531
Directors and Officers Insurance	4,600	5,070
Advertising & Promotion	9,607	7,480
Miscellaneous	3,243	2,213
	1,484,577	1,674,128
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	167,706	(18,841)
NONOPERATING REVENUE (EXPENSES):		
SASWMA Grants	0	(42,909)
Reduce, Reuse, Recycle Programs	(113,695)	(20,663)
Ohio Department of Natural Resources (ODNR) Grant Receipts (Note 3)	297,600	310,800
Ohio Department of Natural Resources (ODNR) Grant Expenditures	(25,000)	(310,800)
Interest Income	10,403	13,701
Loss on Disposal of Fixed Assets	(1,213)	
	168,095	(49,871)
TOTAL NET OPERATING EXPENSES		
NET INCOME (LOSS)	335,801	(68,712)
RETAINED EARNINGS, BEGINNING OF THE YEAR	923,871	992,583
RETAINED EARNINGS, END OF THE YEAR	\$1,259,672	\$923,871

The accompanying footnotes are an integral part of these financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2003 AND 2002

	ENTERPRISE FUND	
	December 31, 2003	December 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$167,706	(\$18,841)
Adjustments to Reconcile Operating Income to Net Cash provided By Operations:		
Loss on Disposal of Fixed Assets	1,213	
Depreciation	37,056	31,813
(Increase) Decrease in Current Assets :		
Recycle Ohio Grant Receivable	(5,369)	(1,776)
Increase (Decrease) in Current Liabilities		
Withholdings Due To Others	173	(51)
	200,779	11,145
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net Nonoperating Revenues (Expenses)	168,095	(49,871)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments For Capital Acquisitions	(18,894)	(8,320)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (Increase)Decrease in Investments	(354,004)	61,600
NET INCREASE (DECREASE) IN CASH	(4,024)	14,554
CASH AT BEGINNING OF YEAR	15,351	797
CASH AT END OF YEAR	\$11,327	\$15,351

The accompanying footnotes are an integral part of these financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND ENCUMBRANCES - BUDGET AND ACTUAL - MODIFIED  
CASH BASIS AS OF DECEMBER 31,2003

ENTERPRISE FUND

	2002 ENCUMBRANCES	2003 CASH BASIS BUDGET	TOTAL BUDGET	2003 CASH BASIS ACTUAL	2003 ENCUMBRANCES	TOTAL MEMORANDUM ONLY	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES:							
Generation Fees		\$1,475,000	\$1,475,000	\$1,499,821		\$1,499,821	\$24,821
Recycle Ohio Grant		133,068	133,068	141,500		141,500	8,432
Household Hazardous Waste Contributions and Tire Fees		7,500	7,500	8,801		8,801	1,301
Miscellaneous			0	2,161		2,161	2,161
Total Operating Revenues	0	1,615,568	1,615,568	1,652,283	0	1,652,283	36,715
OPERATING EXPENSES:							
Household Hazardous Waste Recycling Center Expenses		511,850	511,850	513,125		513,125	(1,275)
Health Department Contracts	27,789	287,257	315,046	254,199	40,410	294,609	20,437
Personnel - Salaries & Benefits		363,370	363,370	370,509		370,509	(7,139)
Recycle Ohio Grant		146,800	146,800	120,521	31,923	152,444	(5,644)
Occupancy		47,665	47,665	49,503		49,503	(1,838)
Office and Postage	14,498	23,550	38,048	20,131		20,131	17,917
Professional	2,541	115,500	118,041	93,702	648	94,350	23,691
Depreciation			0	37,056		37,056	(37,056)
Vehicle and Travel Expense		10,000	10,000	6,349		6,349	3,651
Brochures/Promotions		17,798	17,798	11,639		11,639	6,159
Directors and Officers Insurance		6,460	6,460	4,600		4,600	1,860
Miscellaneous		4,000	4,000	3,243		3,243	757
Total Operating Expenses	44,828	1,534,250	1,579,078	1,484,577	72,981	1,557,558	21,520
OPERATING INCOME (LOSS)	(44,828)	81,318	36,490	167,706	(72,981)	94,725	58,235
NONOPERATING REVENUE (EXPENSES):							
Reduce, Reuse, Recycle Programs	(53,250)	(143,927)	(197,177)	(113,695)	(60,595)	(174,290)	22,887
ODNR Grant Expenditures				(25,000)	(272,600)	(297,600)	(297,600)
ODNR Grant Revenue				297,600		297,600	297,600
Interest Income		9,500	9,500	10,403		10,403	
Transfer from Reserves		53,109	53,109			0	(53,109)
Total Net Nonoperating Revenues (Expenses)	(53,250)	(81,318)	(134,568)	169,308	(333,195)	(163,887)	(30,222)
NET INCOME (LOSS)	(\$98,078)	\$0	(\$98,078)	\$337,014	(\$406,176)	(\$69,162)	\$28,013

The accompanying footnotes are an integral part of these financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

The Authority is a political subdivision created by the citizens of Summit County. The concept of such an entity was created by the State of Ohio. The Authority was established for the purpose of managing the flow of solid waste in, through, and out of the entire area of Summit County. The Authority operates under a 13 member Board of Trustees which oversees and governs its operations.

In accordance with the Statements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 14, *The Financial Reporting Entity*, the Authority's financial statements include all funds and activities over which the Authority's Board of Trustees and Executive Director exercise primary oversight responsibility. Oversight responsibility was evaluated on the basis of financial interdependency, selection of governing board, contracting authority, designation of management and the ability to influence operations.

Based on the foregoing criteria, the financial statements only include the activities of the Authority.

Basis of Presentation

The Authority'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 recording cash and other financial resources, together with all related liabilities and residual equity or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Enterprise Fund accounts for activities that are financed by generation fees, interest income, and grants. The measurement focus is based upon determination of net income, financial position, and cash flows.

Effective September 1, 1998, the Authority adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and all Agency Fund assets were transferred to a trust held by the Ohio Public Employees Deferred Compensation Program. Accordingly the assets and related liabilities are not recorded on the Authority's balance sheet at December 31, 2003 and 2002.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Basis of Accounting

The accompanying financial statements of the Authority are prepared on the modified cash basis of accounting. Assets and liabilities are recorded and revenues and expenses are recognized on the cash-basis, modified for the capitalization of fixed assets and their depreciation and grant receivables and related accrued revenues and employee payroll tax withholdings payable. Except for the noted modification, this practice differs from generally accepted accounting principles in that revenues and the related assets are recognized when received rather than when earned; expenses or expenditures are recognized when paid rather than when a liability is incurred.

Appropriations

Budgetary expenditures may not exceed appropriations for the Authority's one all encompassing enterprise fund and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over for the prior year, if any. The Board approves annual appropriation measures and all subsequent budget amendments. Unencumbered appropriations lapse at year-end. The budget is prepared on the cash basis and as such the Authority does not recognize encumbrances outstanding at year-end as expenses incurred on its budget versus actual financial statement.

Estimated Revenues

Estimated revenues include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1, 2003.

Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried forward and need not be re-appropriated.

Cash and Cash Equivalents

The Enterprise Fund considers all cash and with a maturity of three months or less when deposited or purchased to be cash and cash equivalents.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Investments

Investments are stated at cost, which approximates market.

Fixed Assets

Fixed assets are stated at historical cost. Depreciation is provided on a straight-line basis over the assets' estimated useful lives. The estimated useful lives range from 5 to 40 years.

Use of Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

2. DEPOSITS AND INVESTMENTS

The investment and deposit of monies are governed by provisions of the Ohio Revised Code and the Board of Trustee's Finance Committee. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The provisions also permit the Authority to invest its money in certificates of deposit, savings accounts, money market accounts, the State Treasury Asset Reserve of Ohio (STAROhio) and obligations of the United States Treasury or certain agencies thereof. The Authority may also enter into Repurchase Agreements with any eligible depository for a period not exceeding 30 days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Company (FDIC) or may pledge a pool of total value of public monies on deposit at the institutions. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States. Ohio state law does not require security for public deposits and investments to be maintained in the Authority's name.

During 2003 and 2002, the Authority complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made. The Authority was also in compliance with applicable statutes pertaining to the public deposits and investments.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

At December 31, 2003, the carrying amount of the Authority's deposits was \$11,327 and the bank balance was \$101,481. The difference between the carrying amount and bank balance were outstanding checks and deposits in transit. Of the December 31, 2003 bank balance, \$100,000 was covered by federal depository insurance and \$1,481 was collateralized by a pool pursuant to Section 135.81, Ohio Revised Code, of which the Authority has a proportionate interest.

Investments

The Authority's investments at December 31, 2003 consisted of the following:

	<u>Carrying Value</u>	<u>Market</u>
Uncategorized Investments:		
STAR Ohio	\$701,925	\$701,925

The Authority's unrestricted investments at December 31, 2002, consisted of the following:

	<u>Carrying Value</u>	<u>Market</u>
Uncategorized Investments:		
STAR Ohio	\$620,521	\$620,521

3. RESTRICTED INVESTMENTS

The Authority received a grant award of \$272,600 from the Ohio Department of Natural Resources in 2003. The Authority deposited its grant amount in STAR Ohio account and held the grant proceeds until the sub-recipient of this grant award, Akron Thermal LP received all the necessary permits from the State of Ohio. The Authority distributed the grant award amount to Akron Thermal LP in February 2004. At December 31, 2003, the Authority reflected its commitment to its sub-recipient as an outstanding encumbrance.

The Authority's restricted investments at December 31, 2003 is as follows:

	<u>Carrying Value</u>	<u>Market</u>
Restricted Investments:		
STAR Ohio	\$272,600	\$272,600



SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

4. FIXED ASSETS AND ACCUMULATED DEPRECIATION

Description	2003 Beginning Balance	2003 Additions	2003 Disposals/ Deletions	2003 Ending Balance
Land & Land Improvements	\$176,201	\$0	\$0	\$176,201
Building Improvements	228,814	0	0	\$228,814
Vehicles	24,018	0	0	24,018
Equipment	107,776	25,563	(24,285)	109,054
Furniture & Fixtures	25,209	0	(180)	25,029
Leasehold Improvements	17,610	0	0	17,610
Web Site	3,850	0	0	3,850
Work in Process	<u>6,668</u>	<u>0</u>	<u>(6,668)</u>	<u>0</u>
Subtotal	590,146	25,563	(31,133)	584,576
Less: Accumulated Depreciation	<u>(165,431)</u>	<u>(37,056)</u>	<u>23,251</u>	<u>(179,236)</u>
Net Fixed Assets at 12/31/03	<u>\$424,715</u>	<u>\$(11,493)</u>	<u>\$(7,882)</u>	<u>\$405,340</u>

5. COMPENSATED ABSENCES PAYABLE

Employees accrue vacation hours as hours worked. Unused vacation cannot be carried over; it must be used in the calendar year earned.

The Authority's sick leave policy requires all leave to be supported by a letter or other medical support unless it is related to a death in the immediate family. Employees are allowed 4.62 hours of sick leave per 80 hours worked or 120 hours per year. The hours may be carried over but cannot be used as early retirement or time off. The policy does not provide for paying terminated employees for unused sick leave.

Effective in the year ending December 31, 2003, employees may take up to 24 hours of personal leave annually. Personal leave is subtracted from accumulated sick leave balances and may not be carried from one year to the next.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

5. COMPENSATED ABSENCES PAYABLE (CONTINUED)

Additionally, full time employees who do not use more than 40 hours of sick leave in the calendar year may elect to transfer up to five sick leave days from their accumulated balance to their Ohio Deferred Compensation account if enrolled. Eligible employees may elect to receive this compensation in cash subject to applicable payroll taxes and withholdings.

6. RETIREMENT BENEFITS

Plan Description

All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”). OPERS administers three separate pension plans described below:

(1) The Traditional Pension Plan (TP) - a cost-sharing employer benefit pension plan.

(2) The Member-Directed Plan (MD) – a defined 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 member and (vested) employer contributions plus any investment earnings thereon.

(3) The Combined Plan (CO) – a cost sharing multiple employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

6. RETIREMENT BENEFITS (continued)

Plan Description (continued)

The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 227-6705 or 1-800-222-PERS (7377).

Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). For 2003, employees are required to contribute 8.5 percent of their covered payroll to OPERS. For local government units, the employer contribution rate was 13.55 percent of covered payroll for 2003, 2002, and 2001, respectively, including 5.0 percent that it used to fund post-retirement, health care benefits. The Authority's total contributions to OPERS for pension benefits (excluding the amount related to post-retirement benefits) for the years ended December 31, 2003, 2002, and 2001 were approximately \$24,728, \$22,719 and \$23,963, respectively. Total required employer contributions for all plans (TP, MD and CO) are equal to 100% of employer charges.

Other Post-Employment Benefits Provided Through OPERS

In addition to the pension benefits described previously, OPERS provides post-employment benefits to eligible participants. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit ("OPEB") as described in GASB Statement No. 12.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

6. RETIREMENT BENEFITS – (CONTINUED)

Other Post-Employment Benefits Provided Through OPERS (Continued)

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, such as the Summit/Akron Solid Waste Management Authority the employer rate was 13.55% of covered payroll for the years ended December 31, 2002 and 2003. Of the 13.55%, 5.00% was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority to require employers to fund post-retirement health care through their contributions to OPERS.

The assumptions and calculations noted in the following paragraphs below are based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB's. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market value. For actuarial valuation purposes, a smoothed approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually. The investment return assumption rate for 2002 was 8.00 percent. An annual increase of 4.00 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases over and above the 4.00 percent base increase were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase 4.00 percent annually.

OPEB's are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The Authority's contributions for post-employment benefits to OPERS for the years ended December 31, 2003, 2002, and 2001 were approximately \$14,461, \$13,499, and \$14,237 respectively, equal to 100 percent of the contributions for each year.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 (latest information available) was \$10.0 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial costs method used, were \$18.7 billion and \$8.7 billion, respectively.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

6. RETIREMENT BENEFITS – (CONTINUED)

Other Post-Employment Benefits Provided Through OPERS (Continued)

In December 2001, the Board adopted the Health Care “Choices” Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad 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 find health care costs in excess of their monthly health care benefits. 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.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending “Choices” type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

7. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan, Ohio Public Employees Deferred Compensation Program, created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The deferred wages and any earned income are not subject to taxes until actually received by the employees.

As described in Note 1, all plan assets and income were transferred to a trust held by the Board of the Ohio Public Employees Deferred Compensation Program. The plan assets and income are held for the exclusive benefit of eligible employees and their beneficiaries. All assets whenever contributed to the plan are assigned to the trust established by the Board.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

8. OPERATING LEASE

The Authority leases its facility under a five year operating lease agreement. The current lease term is from June 1, 2002 to April 30, 2007 and requires monthly lease payments plus a monthly fee for parking, janitorial services, and heating.

Monthly base rent and annual base rent for the period of the leases are as follows:

<u>Term</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>
06/01/03–5/31/05	2,988	35,856
06/01/05–4/30/07	3,088	37,056

Copier lease expense for the years ended December 31, 2003 and 2002, was approximately \$3,920 in 2003 and \$4,800 in 2002. Effective January 2003, a new five-year copier lease was entered into requiring monthly payments of \$285.

The Authority renewed its postage-meter lease under a five and one-half year operating lease agreement. The new lease term is from December 2004 to June 2009 and requires monthly lease payments of \$181. Postage meter lease expense for the years ended December 31, 2003 and 2002, were \$2,196 for each year respectively.

9. OPTION ON SALE OF REAL ESTATE

The Authority owns a parcel of real estate in Cuyahoga Falls, Ohio. The Household Hazardous Waste Recycling Center is operated at this location. The Carter Jones Lumber Company has an option to purchase the property for one dollar if the Authority closes the Center.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

10. REDUCE, REUSE, RECYCLE PROGRAM

The Authority has the authority to make grants to various municipalities and organizations under its education/awareness grant programs, special community programs, and request for recycling programs. No such grants were made for the year ended December 31, 2003. Grants made in calendar year 2002 are shown below:

	<u>2003</u>	<u>2002</u>
Reduce, Reuse, Recycle Grants:		
Special Community Programs	\$0	\$20,663
SASWMA Grants:		
City of Barberton		7,443
City of Cuyahoga Falls		915
Essex School		667
Keep Akron Beautiful		11,465
Norton Primary School		819
Information & Education – Bath Township		3,652
Twinsburg Recycling Center		4,093
Twinsburg Township – Waste Reduction		1,536
Lucky the Lady Bug		5,859
City of Twinsburg		3,500
Summit County		<u>2,960</u>
Total SASWMA Grants	<u>0</u>	<u>42,909</u>
Total Reduce, Reuse, Recycle Program	<u>\$0</u>	<u>\$63,572</u>

11. GRANT AGREEMENTS

During 2002, the Authority received \$310,800 from the Ohio Department for Natural Resources (ODNR) for market development. Grants of \$62,800 and \$248,000 were received by the Authority on behalf of Janorpot LLC & Akron Thermal LP, respectively. In these grants the Authority entered into a subgrant agreement with the aforementioned entities.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(CONTINUED)

11. GRANT AGREEMENTS (continued)

During 2003, the Authority received \$297,600 from the Ohio Department for Natural Resources for recycling marketing development. Of this amount, \$25,000 was distributed to the sub-recipient and \$272,600 was held as a restricted investment for sub-recipient Akron Thermal LP. The \$272,600 was distributed in February 2004. The Authority returned the \$62,800 grant received in 2002 for Janorpot LLC in calendar year 2003 when this contract agreement was cancelled.

The Authority has received \$141,500 and \$135,910, respectively, for the years ending December 31, 2003 and 2002 from the State of Ohio for recycling grants. These grants are for education and awareness, recycling and litter prevention activities.

12. SUBSEQUENT EVENTS – ESTABLISHMENT OF NEW FUNDS

Effective for February 2004, the Authority increased its generation fees \$2.25 per ton for processing solid waste in Summit County. The old rate was \$2.75 per ton and the new rate is \$5.00 per ton. Of the increased amount, \$0.05 per ton is to be remitted to the Authority to assist in covering operating expenses of the Authority and the remaining \$2.20 per ton is to be used for the administration of the following two new funds:

- A. HARDY ROAD LANDFILL CLOSURE AND POST CLOSURE FUND
- B. COMMUNITY RECYCLING FUND



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENTAL AUDITING STANDARDS

Board of Trustees  
Summit/Akron Solid Waste Management Authority  
12 East Exchange Street – 3<sup>rd</sup> Floor  
Akron, Ohio 44308

We have audited the modified cash basis financial statements of the Summit/Akron Solid Waste Management Authority (the Authority) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 19, 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance which we have reported to the management of the Authority in a separate letter dated March 19, 2004.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting, in order to determine our auditing procedures for the purpose of expressing our opinion on the modified cash basis financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Authority in a separate letter dated March 19, 2004.

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

*Watson Rice & Co.*

Watson, Rice & Company  
March 19, 2004



**Auditor of State  
Betty Montgomery**

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**SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY**

**SUMMIT 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  
MAY 13, 2004**