SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY SUMMIT COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Auditor of State
Betty Montgomery

Board of Trustees
Summit Akron Solid Waste Management Authority
12 East Exchange Street - 3rd Floor
Akron, Ohio 44308

We have reviewed the *Report of Independent Accountants* of the Summit Akron Solid Waste Management Authority, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 10, 2006

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SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
SUMMIT COUNTY, OHIO

Audit Report
For the Year Ended December 31, 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the business type activities of the Summit/Akron Solid Waste Management Authority, Summit County, Ohio, (the Authority), as of and for the year ended December 31, 2005, which comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Authority, as of December 31, 2005, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2006 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
May 16, 2006

Our discussion and analysis of the Summit/Akron Solid Waste Management Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2005. Please read it in conjunction with the Authority's financial statements, which begin on page 6.

GASB #34 does not require proprietary funds to provide a budgetary analysis in their MD&A. In addition, the Authority is not required to establish a budget per the Ohio Revised Code.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets greater than or equal to $5,000 are capitalized and are depreciated (except land and construction in progress) over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The Statement of Net Assets presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's financial position.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The Statement of Cash Flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

FINANCIAL HIGHLIGHTS

- The Authority's financial statements are comprised of a single enterprise fund. Enterprise funds are used to account for business-like activities provided to the general public.

- For the year ended December 31, 2005 and 2004, the Authority is reporting its financial statements in accordance with generally accepted accounting principles and the requirements of GASB #34. In prior years, the financial statements were reported on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $2,543,574 (net assets). Of this amount, $1,360,742 may be used to meet the Authority's ongoing obligations to Summit County citizens and to creditors in accordance with the Authority's fiscal policies.

- The Authority's unrestricted net assets remained virtually unchanged as a result of this year's operations. However, restricted net assets increased $200,966 due to 2005 being the first full year for two new programs, the Hardy Road Landfill Closure Program ($104,688) and the Community Recycling Grant Program ($96,278).

  The Hardy Road Landfill Closure Program was established to assist the City of Akron with funding the closure and post-closure operations of the Hardy Road Landfill.

  The Community Recycling Grant Program was established to provide grants to Summit County communities that are helping the Authority reach it's State Plan goal by providing 90% recycling access to residents in Summit County.

- The Authority's revenue exceeded their expenses by $172,093.

- The Authority's revenues increased $138,039 (or, 5.3 percent) while expenses increased $1,029,292 (or, 64.4 percent). The significant increase in expenses was due to the first payout of the monies raised for the City of Akron's Hardy Road Landfill Closure ($527,737) and for the Community Recycling grants ($431,034).

FINANCIAL POSITION

The following represents the Authority's financial position for the years ended December 31:

	2005	2004
ASSETS:		
Current assets - unrestricted	$ 1,136,049	$ 1,269,024
Current assets - restricted	1,182,832	981,866
Capital assets	310,022	371,083
Other non current assets	566	566
TOTAL ASSETS	$ 2,629,469	$ 2,622,539
LIABILITIES:		
Current liabilities – unrestricted	$ 85,895	$ 81,058
Current liabilities – restricted	--	170,000
TOTAL LIABILITIES	85,895	251,058
NET ASSETS:		
Restricted net assets	1,182,832	981,866
Unrestricted net assets	1,360,742	1,389,615
TOTAL NET ASSETS	2,543,574	2,371,481
TOTAL LIABILITIES AND NET ASSETS	$ 2,629,469	$ 2,622,539

A portion of the Authority's net assets ($1,182,832 or 46% and $981,866 or 41% at December 31, 2005 and 2004, respectively, for a net change of $200,966 or 20%) represents resources that are subject to restrictions on how they can be used. The restricted net assets are not available for new spending because they have already been committed as follows:

	2005	2004
Hardy Road Landfill Closure Program	$ 632,775	$ 528,087
Community Recycling Grants Program	550,057	453,779
TOTAL RESTRICTED	$ 1,182,832	$ 981,866

The remaining unrestricted net assets of $1,360,742 and $1,389,615 at December 31, 2005 and 2004, respectively, for a net change of (-$28,873 or -2%) may be used to meet any of the Authority's ongoing obligations. The Authority anticipates these funds will be needed to pay future operational expenditures and to maintain adequate levels of working capital.

The following represents the Authority's summary of operating revenues by source for the year ended December 31:

	2005	2004
Generation fees – operations	$ 1,476,475	$ 1,377,979
Generation fees – landfill closure fund	632,775	601,237
Generation fees – community recycling grants	527,312	501,031
Ohio Department of Natural Resources grant	105,204	113,200
Grants – other	--	14,000
Household hazardous waste fees	9,459	7,204
Miscellaneous	2,074	609
TOTAL OPERATING REVENUES	$ 2,753,299	$ 2,615,260

Generation fees consist of 95 percent of total operating revenues for both 2005 and 2004. Of that 95 percent, 44 percent and 40 percent is restricted for the Hardy Road Landfill and the community recycling grants for 2005 and 2004, respectively.

The following represents the Authority's summary of operating expenses before depreciation by source for the year ended December 31:

	2005	2004
Employee wages and benefits	$ 338,990	$ 307,065
Purchase of services	1,237,366	1,100,758
Materials and supplies	91,835	67,372
Community Recycling grants	431,035	--
Landfill Closure Expenses	527,737	--
TOTAL OPERATING EXPENSES	$ 2,626,963	$ 1,475,195

While there was an increase in revenue due to the increase in generation fees from the establishment of the two new programs, the management costs did not appreciably increase.

The following represents the Authority's summary of changes in net assets for the year ended December 31:

	2005	2004
Total operating revenues	$ 2,753,299	$ 2,615,260
Total operating expenses before depreciation	(2,565,902)	(1,563,413)
Operating income before depreciation	187,397	1,051,847
Depreciation	(61,061)	(34,258)
Operating income	126,336	1,017,589
Non-operating revenue	45,757	15,579
Increase in net assets	172,093	1,033,168
Net assets, beginning of year	2,371,481	1,338,313
NET ASSETS, END OF YEAR	$ 2,543,574	$ 2,371,481

Operating income before depreciation decreased $952,668 (or 84%) between 2005 and 2004. The majority of this decrease is the result of the first payments made to the City of Akron's landfill closure costs ($527,737) and the community recycling grants ($431,035). The Authority began collecting these additional fees beginning in March 2004 for payments to be made in early 2005. At the end of each year, the amounts collected and unpaid are reflected in the Statement of Activities as Temporarily Restricted Net Assets.

CAPITAL ASSETS

The Authority's capital assets as of December 31, 2005 and 2004, totaled $310,022 and $371,083 (net of accumulated depreciation), respectively. This investment in capital assets includes land and land improvements, buildings and building improvements, vehicles, machinery and equipment, and furniture and fixtures. There was no increase in the Authority's investment in capital assets before accumulated depreciation for 2005.

Historically, the Authority capitalized assets less than $5,000. During 2005, the Authority's board of trustees voted to assign a capitalization limit of $5,000 or greater. They also voted to write off the net book value of all of the items originally capitalized with a value less than $5,000. The additional depreciation recorded for writing off these items was $36,625.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Authority's board of trustees considered many factors when setting the calendar year 2006 budget. One of those factors was the loss of State of Ohio grant funds for recycling education which was $105,204 in 2005. Due to this decrease in funding, the Authority reduced salaries and benefits by reducing some employees to a 4-day work week. They also reduced payments to local health departments.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's and grantors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact: **Yolanda Walker, Executive Director** at **12 East Exchange Street, 3rd Floor, Akron, OH 44308.**

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET ASSETS – ENTERPRISE FUND
December 31,

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash	$ 188,005	$ 665,659
Investments – unrestricted	660,605	342,813
Investments – temporarily restricted	1,182,832	981,866
Accounts/grants receivable	279,777	257,128
Prepaid expenses	7,662	3,424
TOTAL CURRENT ASSETS	2,318,881	2,250,890
BUILDING AND FURNISHINGS, NET OF ACCUMULATED DEPRECIATION	310,022	371,083
OTHER ASSETS		
Deposits	566	566
TOTAL ASSETS	$ 2,629,469	$ 2,622,539
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 82,703	$ 78,978
Accrued payroll and payroll withholdings	3,192	2,080
Pass-through grants payable	--	170,000
TOTAL CURRENT LIABILITIES	85,895	251,058
NET ASSETS		
Unrestricted	1,360,742	1,389,615
Restricted for landfill closure	632,775	528,087
Restricted for community recycling grants	550,057	453,779
TOTAL NET ASSETS	2,543,574	2,371,481
TOTAL LIABILITIES AND NET ASSETS	$ 2,629,469	$ 2,622,539

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

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS – ENTERPRISE FUND
For the Year Ended December 31,

	2005	2004
OPERATING REVENUES		
Generation fees	$ 2,636,562	$ 2,480,247
Recycle Ohio Grant	105,204	113,200
Grant income – other	--	8,000
Household hazardous waste contributions and TV and tire fees	9,459	7,204
Miscellaneous	2,074	6,609
TOTAL OPERATING REVENUES	2,753,299	2,615,260
OPERATING EXPENSES		
Community Recycling Grants	431,035	--
Landfill Closure Expenses	527,737	--
Household Hazardous Waste Recycling Center	503,238	496,493
Health Department contracts	280,939	277,698
Reduce, Reuse, Recycle Programs	83,801	88,218
Bizmat Project	70,000	--
Tire Amnesty Grant Expenses	6,269	--
Personnel – salaries and benefits	280,978	307,065
Recycle Ohio Grant (includes salaries and benefits)	103,900	164,091
Occupancy	51,301	50,204
Office	36,852	30,992
Professional fees	166,042	101,620
Depreciation	61,061	34,258
Vehicles and travel expense	9,929	8,533
Brochures	--	5,178
Advertising, promotion and education	13,881	26,640
Miscellaneous	--	6,681
TOTAL OPERATING EXPENSES	2,626,963	1,597,671
OPERATING INCOME (LOSS)	126,336	1,017,589
NONOPERATING REVENUE (EXPENSES)		
Interest income	45,757	15,579
TOTAL NET NON-OPERATING REVENUE	45,757	15,579
CHANGE IN NET ASSETS	172,093	1,033,168
NET ASSETS, BEGINNING OF YEAR	2,371,481	1,338,313
NET ASSETS, END OF YEAR	$ 2,543,574	$ 2,371,481

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

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF CASH FLOWS – ENTERPRISE FUND
For the Year Ended December 31,

CASH FLOWS FROM OPERATING ACTIVITIES	2005	2004
Generation fee receipts	$ 2,594,885	$ 2,505,889
Grants income	103,366	159,415
Household hazardous waste tire/scrap receipts	9,459	7,204
Other cash received	2,074	609
	2,709,784	2,673,117
Health Department contracts	(254,763)	(277,698)
Payments to suppliers	(897,236)	(889,426)
Payments to employees	(279,866)	(326,267)
Other receipts (payments)	(1,282,573)	(190,818)
	(2,714,438)	(1,684,209)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(4,654)	988,908
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase)/decrease in investments	(473,000)	(334,576)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(473,000)	(334,576)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(477,654)	654,332
BALANCE AT BEGINNING OF YEAR	665,659	11,327
BALANCE AT END OF YEAR	$ 188,005	$ 665,659
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 126,336	$ 1,017,589
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	61,061	34,258
Change in assets and liabilities:		
Accounts/grants receivable	(22,649)	36,992
Prepaid expenses	(4,239)	-
Accounts payable	3,725	21,871
Accrued payroll and payroll withholdings	1,112	(19,202)
Pass-through grants payable	(170,000)	(102,600)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (4,654)	$ 988,908

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

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Summit/Akron Solid Waste Management Authority (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 Summit County area. The Authority operates under a 13 member Board of Trustees that oversees and governs its operations.

Financial Reporting Entity

In accordance with the Statements of 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 independence, 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 comprised of a single enterprise fund. Enterprise funds are used to account for business-like activities provided to the general public.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues for the Authority result from generation fees, grants, and miscellaneous income. Operating expenses for the Authority includes the cost of personnel, personal and contracted services, supplies, and, depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Changes in Accounting Principles

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation of this statement had no changes from the prior year.

Measurement Focus/Basis of Accounting

The Authority's enterprise fund is reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (continued)

accounting, revenues are recognized when earned, including unbilled generation fees which are accrued. Expenses are recognized at the time the liability is incurred.

Pursuant to GASB Statement No. 20 (GASB #20), "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*" the Authority follows GASB guidance as applicable to enterprise funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Budgeted Revenues and Expenses

Expenditures may not exceed the Authority's board of trustees approved annual budget plus any amounts encumbered at the end of the prior year, and, consequently estimated resources. The Board approves the annual budget and all subsequent budget amendments. Unencumbered budgetary expenditures lapse at year-end. The budget is prepared on the cash basis.

Encumbrances

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

Cash and Cash Equivalents

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

Receivables

Material receivables consist of all revenues earned at year-end and not yet received. Generation fees accounts receivable and grants receivable compose the majority of the receivables. Based on historical trends no allowance for uncollectible accounts receivable is required.

Investments

Investments are stated at fair value.

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital 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 3 to 40 years.

The Authority has elected to capitalize assets with an original cost of $5,000 or more.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE B – DEPOSITS AND UNRESTRICTED 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 (STAR Ohio) 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 2005, 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.

NOTE B – DEPOSITS AND UNRESTRICTED INVESTMENTS (Continued)

Deposits

At December 31, 2005, the carrying amount of the Authority's deposits was $188,005 and the bank balance was $215,453. The difference between the carrying amount and bank balance were outstanding checks and deposits in transit. Of the December 31, 2005 bank balance, $100,000 was covered by federal depository insurance and $115,453 was collateralized by a pool pursuant to Section 135.81, Ohio Revised Code, of which the Authority has a proportionate interest.

Unrestricted Investments

The Authority's unrestricted investments at December 31, 2005 and 2004 consisted of the following:

	Carrying Value	Fair Value
Uncategorized Investments:		
2005 STAR Ohio	$660,605	$660,605
2004 STAR Ohio	$342,813	$342,813

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

During March 2003, the GASB issued Statement No. 40 ("Statement No. 40"), *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3*). This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the fiscal year ended June 30, 2005.

As of December 31, 2005, the Authority had the following investments and maturities:

			Investment Maturities (In Years)		
Investment Type	**Fair Value**	**Credit Rating (*)**	**< 1**	**1-2**	**2-3**
STAR Ohio	$ 660,605	AAA	$ 660,605	$ 0	$ 0

**Credit rating was obtained from Standard & Poor's.*

NOTE B – DEPOSITS AND UNRESTRICTED INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The credit risk of the Authority's investment in STAR Ohio is in the table on the preceding page. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The Authority places no limit on the amount it may invest in any one issuer. The Authority's investment in STAR Ohio represents 100.0 percent of the Authority's total investments.

Custodial Credit Risk. The Authority's investments in STAR Ohio are not exposed to custodial credit risk, as defined by Statement No. 40. Securities in Star Ohio are either insured, registered or are held by STAR Ohio or by its agent in the name of Star Ohio.

NOTE C – RESTRICTED INVESTMENTS

During 2004, the Authority increased its generation fees for the purpose of administering two new programs (see Note L). The Authority deposited these fees in the STAR Ohio account (see Note B for GASB #40 disclosure) and held them until the grants were awarded in 2005. At December 31, 2005 the Authority reflected its commitment to these programs as restricted net assets.

The Authority's restricted investments at December 31, 2005 and 2004 is as follows:

	Carrying Value	Fair Value
Restricted Investments:		
2005 STAR Ohio	$1,182,832	$1,182,832
2004 STAR Ohio	$ 981,866	$ 981,866

NOTE D – COMPENSATED ABSENCES PAYABLE

Employees accrue vacation hours as hours are 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 of 3 days or longer to be supported by a letter or other medical support unless it is related to a death in the immediate family. Sick leave of less than 3 days is submitted and approved using the prescribed Authority sick leave form.

NOTE D – COMPENSATED ABSENCES PAYABLE (Continued)

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.

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.

Until the end of 2003, full time employees who did not use more than 40 hours of sick leave in the calendar year could elect to transfer up to five sick leave days from their accumulated balance to their Ohio Deferred Compensation account, if enrolled. Eligible employees could elect to receive this compensation in cash subject to applicable payroll taxes and withholdings. Effective in 2004, this policy was changed to a performance based incentive program. The board of trustees approved this policy change. All monies accumulated by employees through 2004 were paid out to them as incentive pay in 2005.

NOTE E – CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Description	2005 Beginning Balance	2005 Additions	2005 Disposals/ Deletions	2005 Ending Balance
Total capital assets not being depreciated				
Land	$ 18,748	$ --	$ --	$ 18,748
Capital assets being depreciated				
Land Improvements	157,454	--	(25,762)	131,692
Building Improvements	228,814	--	(11,289)	217,525
Vehicles	24,018	--	--	24,018
Equipment	109,054	--	(41,379)	67,675
Furniture & Fixtures	20,557	--	(20,557)	--
Leasehold Improvements	17,610	--	(6,081)	11,529
Total capital assets being depreciated	557,507	--	(105,068)	452,439
Less: Accumulated Depreciation	(205,172)	(61,061)	105,068	(161,165)
Total capital assets being depreciated, net	352,335	(61,061)	--	291,274
Net Capital Assets at 12/31/05	$371,083	($61,061)	$ --	$310,022

NOTE F – 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, multiple-employer defined benefit pension plan.

(2) The Member-Directed Plan (MD) – 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 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 OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension 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 in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. The 2005 member contribution rate was 8.5 percent of their covered payroll to OPERS for members in state and local classifications. For local government units, the employer contribution rate was 13.55 percent of covered payroll for 2005, including 4 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 year ended December 31, 2005, 2004, and 2003 was approximately $24,220, $22,062, and $24,728, respectively. Total required employer contributions for all plans are equal to 100 percent of employer charges.

NOTE F – RETIREMENT BENEFITS (Continued)

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 as well as post-retirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to quality for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12.

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. In 2005, local government employer units, such as the Authority, contributed 13.55 percent of covered payroll, including 4 percent used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest actuarial review, performed as of December 31, 2004.

Funding Method - An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return - The investment assumption rate for 2004 was 8 percent.

Active Employee Total Payroll - An annual increase of 4 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 percent base increase, were assumed to range from .50 percent to 6.3 percent.

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

NOTE F – RETIREMENT BENEFITS (Continued)

Other Post-Employment Benefits Provided Through OPERS (continued)

OPEB's are advance-funded on an actuarially determined basis. At December 31, 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109. The Authority's contributions for post-employment benefits to OPERS for the year ended December 31, 2005, 2004, and 2003 was approximately $9,755, $8,717, $14,461, respectively, equal to 100 percent of the contributions for the year.

The actuarial value of OPERS' net assets available for OPEB at December 31, 2004 was $10.8 billion. The Actuarial Valuation as of December 31, 2004, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB, based on the actuarial cost method used, at $29.5 billion and $18.7 billion, respectively.

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

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

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE G – 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 A, 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.

NOTE H – 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:

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

The copier lease expense for the year ended December 31, 2005 and 2004 was approximately $3,960 per year. Effective January 2003, a new five-year copier lease was entered into requiring monthly payments of $330.

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 year ended December 31, 2005 and 2004 was $2,172 per year.

NOTE I – 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.

NOTE J – 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, 2005 and 2004.

NOTE K – GRANT AGREEMENTS

During 2003 and 2004, the Authority received $272,600 and $212,000, respectively, from the Ohio Department for Natural Resources for a recycling market development grant on behalf of two sub-recipients, Akron Thermal LP and the University of Akron. All monies were distributed to the sub-recipients in 2004.

The Authority received $105,204 and $113,200 for the years ending December 31, 2005 and 2004, respectively from the State of Ohio for a recycling grant. This grant is for education and awareness, recycling and litter prevention activities.

NOTE L – ESTABLISHMENT OF NEW PROGRAMS

Effective 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 programs:

A. ASSISTANCE TO THE CITY OF AKRON'S HARDY ROAD LANDFILL CLOSURE /POST CLOSURE PROGRAM ($1.20 per ton)

B. COMMUNITY RECYCLING PROGRAM ($1.00 per ton)

NOTE M – CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, will be immaterial.

NOTE N – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. In order to minimize these components of risk, the Authority has obtained insurance coverage for risk of loss.

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the Authority did not reduce the limits of liability significantly in the current year.

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

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

We have audited the financial statements of the business-type activities of the Summit/Akron Solid Waste Management Authority (the Authority), Summit County, Ohio as of and for the year ended December 31, 2005, which comprise the Authority's basic financial statements and have issued our report thereon dated May 16, 2006. 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.

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 financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris & Associates, Inc.
May 16, 2006

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ended December 31, 2004, reported no material citations or recommendations.

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
JULY 25, 2006