



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

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**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 Wilkshire Blvd. NE
Bolivar, Ohio 44612

To the Board of Directors:

We have audited the accompanying 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, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, Ohio, as of December 31, 2004, and the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7, during the year ended December 31, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 21, 2005

**STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

This discussion and analysis of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2004. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets increased \$982,529, or 11.6%, a significant change from the prior year.

The District's primary receipts are primarily tipping fees. These receipts represent 98% of the total cash received during the year. Tipping fee receipts for 2004 increased by \$912,000 compared to 2003.

Using the Basic Financial Statements

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

Report Components

The statement of net assets, the statement of revenues, expenses, and changes in net assets and the statement of cash flows provide information about the financial activities of the District.

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on the accrual basis of accounting. This basis of accounting is in accordance with generally accepted accounting principles.

Reporting the Government as a Whole

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the District did financially during 2004. The statement of net assets presents the cash balances and investments of the District at year end. The statement of revenues, expenses, and changes in net assets compares operating expenses with operating revenue. Operating revenues include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. Other income includes all receipts not classified as program receipts.

**STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The analysis below focuses on the District's financial position and the results of operations.

	(Restated)	
ASSETS	2003	2004
Current Assets	\$ 9,777,064	\$ 10,859,770
Property and Equipment	459,356	441,850
TOTAL ASSETS	10,236,420	11,301,620
LIABILITIES		
Current Liabilities	956,726	945,733
NET ASSETS		
Invested in Capital Assets	459,356	441,850
Unrestricted	8,914,002	9,914,037
Total Net Assets	\$ 9,373,358	\$ 10,355,887
Operating Revenue	\$ 5,336,661	\$ 6,248,384
Other Income - Interest	132,795	124,660
Total Revenues	5,469,456	6,373,044
Total Expenses	4,830,704	5,390,515
Change in Net Assets	638,752	982,529
Beginning Net Assets, Restated	8,734,606	9,373,358
Ending Net Assets	\$ 9,373,358	\$ 10,355,887

Capital Assets

As of December 31, 2004, the District had \$441,850 invested in building, land, improvements, vehicles and furniture and fixtures. The table below shows fiscal year 2004 balance compared to fiscal year 2003:

	2003	2004
Capital Assets Net of Depreciation		
Building	\$ 387,257	\$ 375,696
Land Improvements	65,505	60,261
Vehicles	-	-
Furniture & Fixtures	6,594	5,893
	\$ 459,356	\$ 441,850

All capital assets are reported net of depreciation. The decrease in capital assets is a result of annual depreciation.

Current Facts

The challenge for all Governments is to provide quality services while staying within the restrictions imposed by limited funding. The District relies heavily on tipping fees.

During 2004, the Board of Directors designated \$3,000,000 for closure of the Newcomerstown Landfill. Also, the Board of Directors designated \$3,000,000 to be used to fund construction of an interchange on Interstate 77 in Southern Stark County. Subsequent to year end, this resolution was repealed and the Board of Directors then designated \$1,985,608 for road repairs around landfills located within the District.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to demonstrate accountability for the assets it receives. If you have questions about this report or need additional financial information, contact the Executive Director David Held, 9918 Wilkshire Blvd NE, Bolivar, Ohio 44612; (330) 874-2258.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUND
AS OF DECEMBER 31, 2004**

	Enterprise Funds
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 7,787,646
Investments	2,483,125
Intergovernmental Receivable	70,000
Tipping Fee Receivable	518,999
Total Current Assets	10,859,770
 Property and Equipment	
Building	462,396
Land Improvements	99,651
Vehicles	40,286
Furniture and Fixtures	60,421
Total Property and Equipment	662,754
Less: Accumulated Depreciation	220,904
Net Property and Equipment	441,850
 TOTAL ASSETS	 \$ 11,301,620
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 556,853
Accrued Expenses	7,796
Accrued Wages	8,090
Compensated Absences	22,994
Deferred Revenue	350,000
Total Current Liabilities	945,733
 NET ASSETS	
Invested in Capital Assets	441,850
Unrestricted	9,914,037
Total Net Assets	10,355,887
 TOTAL LIABILITIES AND NET ASSETS	 \$ 11,301,620

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
NET ASSETS - PROPRIETARY FUND**

FOR THE YEAR ENDED DECEMBER 31, 2004

	Enterprise Funds
OPERATING REVENUES	
Tipping Fees	
Inside District	\$ 928,072
Outside District	4,381,227
Outside State	939,085
	6,248,384
Total Operating Revenues	6,248,384
OPERATING EXPENSES	
Salaries	146,060
Employee Benefits and Payroll Taxes	36,326
Financial Assistance to City/County Boards of Health	412,868
Recycling and Composting Grants	1,313,089
Appliance, Battery and Oil Collections	1,032,233
County Sheriff's Grants	481,219
Education Grants	336,095
District Programs	597,739
Landfill and Tire Clean-Ups	138,215
Professional Fees	626,198
Office Supplies	13,783
Telephone	6,158
Utilities	4,932
Postage and Meter	70,560
Printing and Brochures	77,131
Employee Travel and Expenses	8,213
Automobile Expense	2,235
Advertising	8,292
Cleaning and Maintenance	9,816
Dues and Subscriptions	2,252
Seminars and Public Education	3,837
Insurance	41,780
Depreciation	19,816
Miscellaneous	1,668
	5,390,515
Total Operating Expenses	5,390,515
Operating Income	857,869
OTHER INCOME - INTEREST	124,660
CHANGE IN NET ASSETS	982,529
NET ASSETS, BEGINNING OF YEAR, RESTATED	9,373,358
NET ASSETS, END OF YEAR	\$ 10,355,887

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
PROPRIETARY FUND**

FOR THE YEAR ENDED DECEMBER 31, 2004

	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Tipping Fees	\$ 6,574,159
Cash Paid to Employers and Suppliers	(5,457,284)
Net Cash Provided by Operating Activities	1,116,875
CASH FLOWS FROM CAPITAL ACTIVITIES	
Purchase of Property and Equipment	(2,310)
Net Cash Used by Capital Activities	(2,310)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grants	280,000
Net Cash Provided by Non-Capital Financing Activities	280,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments	141,314
Maturity of Investments	1,200,677
Net Cash Provided by Investing Activities	1,341,991
Increase in Cash and Cash Equivalents	2,736,556
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	5,051,090
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 7,787,646
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 982,529
 ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	19,816
Interest Received	(141,314)
Decrease in Operating Assets	
Accounts Receivable	342,429
Decrease in Operating Liabilities	
Accounts Payable	(80,741)
Accrued Expenses	(5,844)
Net Cash Provided by Operating Expenses	\$ 1,116,875

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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 Director's 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 segregated 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.

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 Accounting Standards Board pronouncements.

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. *(See Note 2 for a description of investments held by the District)*

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

E. Fund Accounting

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. This budget includes estimated receipts and appropriations.

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 Revised Code Section 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

G. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases and decreases in total net assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

H. Tipping Fees Receivable

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

I. Property, Plant and Equipment

The District maintains a capitalization threshold of \$5,000. Property and equipment are capitalized at cost (or estimated historical cost) less accumulated depreciation and updated for additions and retirements during the year. 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. Donated capital assets are recorded at fair market values as of the date received. Depreciation of property and equipment is computed using the straight-line method over the following useful lives:

<u>DESCRIPTION</u>	<u>ESTIMATED LIVES</u>
Building	40 Years
Land Improvements	19 Years
Vehicles	5 Years
Furniture and Fixtures	5 Years

J. Investments

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

K. 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 entered.

L. 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.

M. 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.

N. Income Taxes

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

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 during the reporting period. Actual results could differ from those estimates.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

P. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Invested in capital assets consists of capital assets less accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The District did not have any restricted net assets for 2004.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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 stabled by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim moneys 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 obligation guaranteed as to principal or interest by the United States;

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. Bonds, notes, debenture, 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 or 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".

Deposits: At year-end, the carrying amount of the District's deposits was \$488,263, which includes \$25 cash on hand, and the bank balance was \$492,432. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$392,432 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 FDIC.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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 District's 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.

	<u>Category</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
	<u>1</u>		
U.S. Treasury Note, 1.625%, due 01/31/05	\$1,208,125	\$1,208,125	\$1,208,125
U.S. Treasury Note, 1.125%, due 06/30/05	1,275,000	1,275,000	1,275,000
Investment in State Treasurer's Investment Pool (STAR Ohio)		<u>7,299,383</u>	<u>7,299,383</u>
Total Investments		<u>\$9,782,508</u>	<u>\$9,782,508</u>

The classification of cash and cash equivalents and investments on the Statement of Net Assets 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 Statement of Net Assets and the classifications of deposits and investments presented above per GASB Statement No. 3 as follows:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$7,787,646	\$2,483,125
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool (STAR Ohio)	<u>(7,299,383)</u>	<u>7,299,383</u>
GASB Statement No. 3	<u>\$ 488,263</u>	<u>\$9,782,508</u>

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 cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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, benefit similar to the traditional plan benefit. Member contributions, whose investments is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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, 2004, 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 2004 was 9.55 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, 2004, 2003 and 2002 were \$150,741, \$145,300, and \$134,082, respectively. The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$14,396, \$12,423, and \$11,464 respectively; 100 percent has been contributed for 2004, 2003, and 2002.

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 Post-employment 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.

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, 2003, 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 between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$6,030. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2004 was as follows:

	<u>Balance</u> <u>1/1/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2004</u>
Property & Equipment				
Land Improvements	\$99,651	\$0	\$0	\$99,651
Building	462,396	0	0	462,396
Furniture and Fixtures	58,111	2,310	0	60,421
Vehicles	<u>40,286</u>	<u>0</u>	<u>0</u>	<u>40,286</u>
Total Property & Equipment	660,444	2,310	0	662,754
Less Accumulated Depreciation	<u>(201,088)</u>	<u>(19,816)</u>	<u>0</u>	<u>(220,904)</u>
Total Property & Equipment less Accumulated Depreciation	<u>\$459,356</u>	<u>(\$17,506)</u>	<u>\$0</u>	<u>\$441,850</u>

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. RESTATEMENT

Net assets have been restated due to errors and omissions in the compensated absences balances. This prior period adjustment had the following effect on net assets as previously reported.

Net Assets January 1, 2004	\$9,279,694
Compensated Absences	<u>93,664</u>
Restated Net Assets, January 1, 2004	<u>\$9,373,358</u>

7. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus, and GASB Statement No. 38, "Certain Financial Statement Note Disclosures". GASB 34 creates new basic financial statements for reporting on the District's financial activities and requires the inclusion of the Management Discussion and Analysis (MD&A) section which provides a narrative introduction and overview of the financial statements to enhance the user's ability to interpret the information within the statements. Except for the addition of the MD&A the implementation of GASB Statement No. 34 has not had significant impact on the District's financial statements.

8. COMMITMENTS AND CONTINGENCIES

During 2004, the District designated \$3,000,000 to set aside to cover the future costs associated with the closure of the Newcomerstown Landfill.

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Directors:

We have audited the 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 21, 2005 in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying Schedule of Findings as item 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated October 21, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the District's management dated October 21, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and the Board of Directors. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 21, 2005

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

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 Treasurer 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.

There are several exceptions to the standard requirement stated above that a Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the sixty expenses tested were certified by the Treasurer prior to incurring the commitment and none of the exceptions noted above were utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding

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

FINDING NUMBER 2004-001 (Continued)

budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-002

Reportable Condition - Leave Records

During 2004, the following were noted with regards to leave records:

- Beginning balances were overstated due to incorrect prior year ending balances being carried forward to 2004
- The Assistant Executive Director's accrual rate was based on his total PERS service credit which included purchased military and township trustee time resulting in vacation accrual at a higher rate than allowed in the Board approved vacation policy
- Leave accrual is tracked manually by the Assistant Executive Director and included on pay stubs generated by the District's accounting software; however the two records do not agree 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
- 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.

The District should consider 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.
- 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, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.41(D) - expenditures were not properly certified	No	Not Corrected - Refer to Finding 2004-001.
2003-002	Frequent Use of Credit Cards	No	Partially Corrected - Refer to Management Letter Comment.
2003-003	Leave Records	No	Not Corrected – Refer to Finding 2004-002.



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**STARK-TUSCARAWAS-WAYNE JOINT 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
DECEMBER 15, 2005**