SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY SUMMIT COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Governmental 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, 2004 through December 31, 2004. 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

August 26, 2005

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Summit/Akron Solid Waste Management Authority
Summit County, Ohio
Audit Report
For the Year Ended December 31, 2004

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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 (the Authority), Summit County, Ohio as of and for the year ending December 31, 2004, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America. 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 opinions.

As described in Note A, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statement—and Management's Discussion and Analysis—for State and Local Governments,* as amended and interpreted, as of December 31, 2004.

In our opinion, the 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, 2004, 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.

In accordance with *Government Auditing Standards,* we have issued a report dated June 14, 2005 on consideration of the Authority'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis information on pages 2 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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.

Charles E. Harris & Associates, Inc.
Certified Public Accountants
June 14, 2005

Summit/Akron Solid Waste Management Authority
Management's Discussion and Analysis (MD&A)
For the Year Ended December 31, 2004

Our discussion and analysis of 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, 2004. Please read it in conjunction with the Authority's financial statements.

Statement #34 of the Governmental Accounting Standards Board (GASB #34) requires that the MD&A compare current year and prior-year financial information except in the first year that the standard is applied. Because this is the first year that the Authority is applying GASB #34, no comparative financial information is being provided. In future years, a comparative analysis of financial information will be presented.

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 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, 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 $2,371,481 (net assets). Of this amount, $1,389,615 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 $981,866 due to an increase in generation fees to establish two new funds, the Hardy Road Landfill Closure Fund ($528,087) and the Community Recycling Grant Fund ($453,779).

  The Hardy Road Landfill Closure Fund 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 Fund was established to provide grants to Summit County communities that are helping the Authority to reach it's State Plan goal by providing 90% recycling access to residents in Summit County.

- The Authority's revenue exceeded their expenses by $1,033,168. However, $981,866 is designated for the two restricted funds noted above.

FINANCIAL POSITION

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

	2004
ASSETS:	
Current assets – unrestricted	$ 1,269,024
Current assets – restricted	981,866
Capital assets	371,083
Other non current assets	566
TOTAL ASSETS	$ 2,622,539
LIABILITIES:	
Current liabilities – unrestricted	$ 81,058
Current liabilities – restricted	170,000
TOTAL LIABILITIES	251,058
NET ASSETS:	
Restricted net assets	981,866
Unrestricted net assets	1,389,615
TOTAL NET ASSETS	2,371,481
TOTAL LIABILITIES AND NET ASSETS	$ 2,622,539

A portion of the Authority's net assets ($981,866 or 41% at December 31, 2004) 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:

Hardy Road Landfill Closure Program	$ 528,087
Community Recycling Grants Program	453,779
TOTAL RESTRICTED	$ 981,866

The remaining unrestricted net assets of $1,389,615 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:

	2004
Generation fees – operations	$ 1,377,979
Generation fees – landfill closure program	601,237
Generation fees – community recycling grants	501,031
Recycling Ohio grant	113,200
Grants – other	14,000
Household hazardous waste fees	7,204
Miscellaneous	609
TOTAL OPERATING REVENUES	$ 2,615,260

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

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

	2004
Employee wages and benefits	$ 307,065
Purchase of services	1,100,758
Reduce, Reuse, Recycle Program	88,218
Materials and supplies	67,372
	$ 1,563,413

Although, there was an increase in revenue due to the increase in generation fees as a result of establishing the 2 new funds, there was no resultant significant increase in expenses to manage these funds.

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

	2004
Total operating revenues	$ 2,615,260
Total operating expenses before depreciation	(1,475,195)
Operating income before depreciation	1,140,065
Depreciation	(34,258)
Operating income	1,105,807
Non-operating revenue	15,579
Non-operating expense	(88,218)
Increase in net assets	1,033,168
Net assets, beginning of year	1,338,313
NET ASSETS, END OF YEAR	$ 2,371,481

ENTERPRISE FUND BUDGETING HIGHLIGHTS

The Authority is not required to establish a budget per the Ohio Revised Code, though the Board of Trustees does approve a budget.

CAPITAL ASSETS

The Authority's capital assets as of December 31, 2004, totaled $371,083 (net of accumulated depreciation). 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 2004.

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
STATEMENT OF NET ASSETS – ENTERPRISE FUND
December 31, 2004

	2004
ASSETS	
CURRENT ASSETS	
Cash	$ 665,659
Investments – unrestricted	342,813
Investments – temporarily restricted	981,866
Accounts/grants receivable	257,128
Prepaid expenses	3,424
TOTAL CURRENT ASSETS	2,250,890
BUILDING AND FURNISHINGS, NET OF ACCUMULATED DEPRECIATION	371,083
OTHER ASSETS	
Deposits	566
TOTAL ASSETS	$ 2,622,539
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 78,978
Accrued payroll and payroll withholdings	2,080
Pass-through grants payable	170,000
TOTAL CURRENT LIABILITIES	251,058
NET ASSETS	
Unrestricted	1,389,615
Restricted for landfill closure program	528,087
Restricted for community recycling grant program	453,779
TOTAL NET ASSETS	2,371,481
TOTAL LIABILITIES AND NET ASSETS	$ 2,622,539

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

Summit/Akron Solid Waste Management Authority
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS – ENTERPRISE FUND
For the Year Ended December 31, 2004

	2004
OPERATING REVENUES	
Generation fees	$ 2,480,247
Recycle Ohio Grant	113,200
Grant income – other	8,000
Household hazardous waste contributions and tire fees	7,204
Miscellaneous	6,609
TOTAL OPERATING REVENUES	2,615,260
OPERATING EXPENSES	
Household Hazardous Waste Recycling Center	496,493
Health Department contracts	277,698
Reduce, Reuse, Recycle Programs	88,218
Personnel – salaries and benefits	307,065
Recycle Ohio Grant	164,091
Occupancy	50,204
Office	28,507
Professional fees	95,981
Depreciation	34,258
Vehicles and travel expense	8,533
Brochures	5,178
Postage	2,485
Insurance	5,639
Advertising, promotion and education	26,640
Miscellaneous	6,681
TOTAL OPERATING EXPENSES	1,597,671
OPERATING INCOME (LOSS)	1,017,589
NONOPERATING REVENUE (EXPENSES)	
Interest income	15,579
TOTAL NET NON-OPERATING REVENUE	15,579
CHANGE IN NET ASSETS	1,033,168
NET ASSETS, BEGINNING OF YEAR – AS RESTATED – SEE NOTE M	1,338,313
NET ASSETS, END OF YEAR	$ 2,371,481

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

Summit/Akron Solid Waste Management Authority
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
For the Year Ended December 31, 2004

	2004
CASH FLOWS FROM OPERATING ACTIVITIES	
Generation fee receipts	$ 2,505,889
Grants income	159,415
Household hazardous waste tire/scrap receipts	7,204
Other cash received	609
	2,673,117
Health Department contracts	(277,698)
Payments to suppliers	(889,426)
Payments to employees	(326,267)
Other receipts (payments)	(190,818)
	(1,684,209)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	988,908
CASH FLOWS FROM INVESTING ACTIVITIES	
Net (increase)/decrease in investments	(334,576)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(334,576)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	654,332
BALANCE AT BEGINNING OF YEAR	11,327
BALANCE AT END OF YEAR	$ 665,659
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 1,033,168
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	34,258
Interest Income	(15,579)
Change in assets and liabilities:	
Accounts/grants receivable	36,992
Accounts payable	21,871
Accrued payroll and payroll withholdings	(19,202)
Pass-through grants payable	(102,600)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 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 and Restatements of Fund Balance and Net Assets

For the year ended December 31, 2004, the Authority has implemented GASB No. 34, *Basic Financial Statements-and Management discussion and Analysis-for State and Local Governments,* GASB No. 37, *Basic Financial Statements for State and Local Governments: Omnibus,* GASB No. 38, *Certain Financial Statement Note Disclosures*, and, GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.* At December 31, 2003, the effect on the net assets was a decrease of $215,597 as a result of implementing GASB Statements No. 34, 37, 38, and Interpretation 6.

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

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 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, "*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 on or before 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.

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

Investments

Investments are stated at fair value.

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 5 to 40 years.

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 legislation 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 (STAROhio) and obligations of the United States Treasury or certain agencies thereof. The Authority may also enter into Repurchase Agreements with any eligible depository for a period not exceeding 30 days.

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

NOTE B – DEPOSITS AND UNRESTRICTED INVESTMENTS (Continued)

During 2004, 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.

Deposits

At December 31, 2004, the carrying amount of the Authority's deposits was $665,659 and the bank balance was $734,224. The difference between the carrying amount and bank balance were outstanding checks and deposits in transit. Of the December 31, 2004 bank balance, $100,000 was covered by federal depository insurance and $634,224 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, 2004 consisted of the following:

	Carrying Value	Fair Value
Uncategorized Investments:		
STAR Ohio	$342,813	$342,813

NOTE C – RESTRICTED INVESTMENTS

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

The Authority's restricted investment at December 31, 2004 is as follows:

	Carrying Value	Fair Value
Restricted Investments:		
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 2003 were paid out to them as incentive pay in 2004.

NOTE E – FIXED ASSETS AND ACCUMULATED DEPRECIATION

Description	2004 Beginning Balance	2004 Additions	2004 Disposals/ Deletions	2004 Ending Balance
Land & Land Improvements	$ 176,202	$ -	$ -	$ 176,202
Building Improvements	228,814	-	-	228,814
Vehicles	24,018	-	-	24,018
Equipment	109,054	-	-	109,054
Furniture & Fixtures	25,209	-	(4,652)	20,557
Leasehold Improvements	17,610	-	-	17,610
Web Site	3,850	-	(3,850)	-
Subtotal	584,757	-	(8,502)	576,255
Less: Accumulated Depreciation	(179,416)	(34,258)	8,502	(205,172)
Net Fixed Assets At 12/31/04	$ 405,341	($34,258)	$ -	$ 371,083

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:

NOTE F – RETIREMENT BENEFITS (Continued)

Plan Description (continued)

(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 Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

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

The Ohio Public Employees Retirement System issued a stand-alone financial report. Interested parties may obtain a copy by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 227-6701 or 1-800-222-PERS (7377).

Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. For 2004, employees are required to contribute 8.5 percent of their covered payroll to OPERS. For local government units, the employer contribution rate was 13.55 percent of covered payroll for 2004, 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, 2004, 2003, and 2002 was approximately $18,634, $24,728, and $22,719, 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 and post-retirement health care benefits to qualifying members of both the Traditional 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 is considered to be an Other Postemployment 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. For local government employer units, such as the Authority, the employer rate was 13.55 percent of covered payroll and 4 percent was used to fund health care for the year. The Ohio Revised Code provides the statutory authority to require public employers to fund post-retirement health care through their contributions to OPERS.

The assumptions and calculations noted in the following paragraphs below are based on OPERS' latest actuarial review performed as of December 31, 2003. 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 unfunded actuarial accrued liability.

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 percent of unrealized market appreciation or depreciation on investment assets annually. The investment return assumption rate for 2003 was 8 percent. 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 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).

OPEB's are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The Authority's contributions for post-employment benefits to OPERS for the year ended December 31, 2004, 2003, and 2002 was approximately $5,501, $14,461, and $13,499, respectively, equal to 100 percent of the contributions for the year.

NOTE F – RETIREMENT BENEFITS (Continued)

Other Post-Employment Benefits Provided Through OPERS (continued)

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 (latest information available) was $10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial costs method used, were approximately $26.9 billion and $16.4 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.

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

NOTE H – OPERATING LEASE (continued)

The copier lease expense for the year ended December 31, 2004 was approximately $3,960. 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, 2004 was $2,172.

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, 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 $113,200 for the year ending December 31, 2004 from the State of Ohio for a recycling grant. This grant is for education and awareness, recycling and litter prevention activities.

NOTE L – GENERATION FEES

Under Ohio Revised Code Section 3734.573, the Summit/Akron Solid Waste Management Authority (the Authority) in empowered to levy a fee on the generation of solid waste in the geographical area within the jurisdiction of the Summit/Akron Solid Waste Management Authority.

Under Ohio Revised Code Section 3734.56, the Authority submitted a revised solid waste management plan (the Plan) to the Ohio Director of Environmental Protection which was approved by the Director on November 25, 2003.

NOTE L – GENERATION FEES (continued)

The Plan provides that the Authority will provide funding to the City of Akron for funding the closure and post-closure operations of the Hardy Road Landfill. The Authority will pass through $1.20 per ton of the generation fee increase to the City of Akron annually.

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. 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. Management believes there are no subsequent events or pending litigation.

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.

NOTE M – RESTATEMENT OF BEGINNING BALANCE

Due to the implementation of GASB 34 the beginning balance was restated as follows:

Fund Balance	Enterprise Fund
December 31, 2003	$ 1,259,672
Restatement	78,641
January 1, 2004	$ 1,338,313

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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 ACCORDIANCE 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 ending December 31, 2004, which comprise the Authority's basic financial statements and have issued our report thereon dated June 14, 2005 in which the Authority adopted Governmental Accounting Standards Board Statements No. 34, 37, 38, 41 and GASB Interpretation 6. 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 Controller 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 opinions 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 errors 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Authority in a separate letter dated June 14, 2005.

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 provisions of law, 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 are 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.* However we noted certain immaterial instances on noncompliance which we have reported to management of the Authority in a separate letter dated June 14, 2005.

This report is intended solely for the information and use of the finance committee, management, and 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.
Certified Public Accountants
June 14, 2004

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ended December 31, 2003, did not include any 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
SEPTEMBER 13, 2005