

***SUMMIT/AKRON SOLID WASTE MANAGEMENT
AUTHORITY***

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2015





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Summit/Akron Solid Waste Management Authority, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Summit/Akron Solid Waste Management Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 5, 2016

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SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Summit/Akron Solid Waste Management Authority
Summit County
12 East Exchange Street
3rd Floor
Akron, Ohio 44308

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Summit/Akron Solid Waste Management Authority, Summit County, Ohio (the Authority), as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Summit/Akron Solid Waste Management Authority, Summit County, Ohio, as of December 31, 2015 and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*. We did not modify our opinion regarding these matters.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

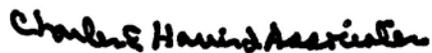
The financial statements of the Summit/Akron Solid Waste Management Authority, Summit County, Ohio, as of and for the year ended December 31, 2014, were audited by predecessor auditor whose report dated October 17, 2014, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 15, 2016

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis (MD&A)
For the Year Ended December 31, 2015 and 2014
(UNAUDITED)

Our discussion and analysis of the Summit/Akron Solid Waste Management Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2015. Please read it in conjunction with the Authority's financial statements, which begin on page 11.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 Position* presents information on all the Authority's assets and liabilities and deferred inflows and outflows, with the difference between the two reported as net positions. Over time, increases or decreases in net positions may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses, and Changes in Net Positions* presents information showing how the Authority's net position changed during the most recent year. All changes in net position 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.
- The Authority reports its financial statements in accordance with generally accepted accounting principles and the requirements of GASB Statement #34. During 2015, the Authority adopted GASB Statement #68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement #27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

When accounting for pension costs, GASB #27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB #68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis (MD&A) (continued)
For the Year Ended December 31, 2015 and 2014
(UNAUDITED)

FINANCIAL HIGHLIGHTS (continued)

Under the new standards required by GASB #68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange"—that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payment. State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term section of the Statement of Net Position.

In accordance with GASB #68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB #68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014 from \$2,442,041 to \$2,223,599.

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,319,750 (net position). Of this amount, \$2,121,262 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. However, of the \$2,121,262, the Board of Trustees has designated \$544,161 for community recycling grants and programs.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis (MD&A) (continued)
For the Year Ended December 31, 2015 and 2014
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FINANCIAL HIGHLIGHTS (continued)

- The Authority's unrestricted net position includes the unrestricted net position and the board restricted net position for community recycling grants/programs in the Comparative Statement of Net Position. Board restricted monies are restricted at a certain point in time for a certain purpose(s) by the Board of Trustees.

Because they are restricted by the Board, the Board may at a future date change the purpose of the restriction, therefore, those monies are considered unrestricted. The total unrestricted net position increased \$243,397. This net increase is due to an increase in tire collection fees of \$274; and, a decrease in the following expenses: community recycling grants and programs expense of \$90,292; landfill closure expenses of \$9,328; reduce, reuse, recycle program of \$53,505; personnel expense of \$1,960; occupancy of \$974; office and equipment of \$6,081; and, advertising, branding and marketing expenses of \$59,468. These decreases in expenses were offset by some increases in expenses such as household hazardous waste recycling center expenses of \$17,722; grant expenses of \$6,532; professional fee expenses of \$459; and, vehicles and travel expense of \$16,330.

- The Hardy Road Landfill Closure Program was established to assist the City of Akron with funding the closure and post-closure operations of the Hardy Road Landfill. Whatever dollar amount is collected in one year is paid out in the following year and recorded as an intergovernmental liability at December 31, 2015.
- The community recycling grant program was established to provide grants to Summit County communities that are helping the Authority reach its State Plan goal by providing 90 percent recycling access to residents in Summit County. Not all communities in Summit County participate in this program; therefore, they do not receive grant monies. During 2013, the Authority switched from a bestowment-based approach to a reimbursement-based approach with the Summit County communities. Also, beginning in 2013, the Authority used these dollars to open and operate community recycling drop-offs in Summit County; for food recovery contracts; a commercial single stream recycling program, and, various other recycling and education and awareness programs. The Authority also funded an extensive education and outreach program for the City of Akron to reduce contamination for their city-wide curbside recycling program.
- The Authority incurred a net increase in their net position for 2015 whereby their revenues exceeded their expenses by \$96,151.
- The Authority's operating revenues decreased \$63,149 (or 2.7 percent) and operating expenses decreased \$180,565 (or 7.5 percent). The net decrease in revenue of \$63,149 was due to a decrease in generation fee revenue of \$47,303, a decrease in grant revenue of \$10,393 and a decrease in miscellaneous revenue of \$5,727 offset by a small increase in tire collection fees of \$274. The net decrease in expenses was due to decreases in community recycling grants and programs; landfill closure expenses; reduce, reuse, recycle programs expenses; personnel costs; occupancy; office and equipment; and, advertising, branding and marketing. Those decreases in expenses were offset by increases in the household hazardous waste recycling center expenses; grant expenses; professional fees; and, vehicles and travel expense.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis (MD&A) (continued)
For the Year Ended December 31, 2015 and 2014
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FINANCIAL POSITION (continued)

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS:			
Current assets—unrestricted	\$ 2,475,986	\$ 2,295,389	\$ 2,339,045
Current assets---board restricted	544,161	682,268	721,205
Capital assets	198,488	207,627	216,766
Other noncurrent assets	566	566	566
TOTAL ASSETS	\$ <u>3,219,201</u>	\$ <u>3,185,850</u>	\$ <u>3,277,582</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	\$ <u>60,841</u>	\$ <u>-</u>	\$ <u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>3,280,042</u>	\$ <u>3,185,850</u>	\$ <u>3,277,582</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
LIABILITIES:			
Current liabilities	\$ 645,705	\$ 703,595	\$ 775,655
Noncurrent liabilities	309,898	40,214	38,347
TOTAL LIABILITIES	955,603	743,809	814,002
DEFERRED INFLOWS OF RESOURCES:			
Pension	\$ 4,689	\$ -	\$ -
NET POSITION:			
Net investment in capital assets	198,488	207,627	216,766
Board-restricted net position	544,161	682,268	721,205
Unrestricted net position	<u>1,577,101</u>	<u>1,552,146</u>	<u>1,525,609</u>
TOTAL NET POSITION	<u>2,319,750</u>	<u>2,442,041</u>	<u>2,463,580</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>3,280,042</u>	\$ <u>3,185,850</u>	\$ <u>3,277,582</u>

The Authority's investment in their capital assets is represented by the portion of the Authority's net position of \$198,488 or 8.6 percent, \$207,627 or 9.3 percent, and, \$216,766 or 8.8 percent at December 31, 2015, 2014, and, 2013, respectively. The decrease of \$9,139 between 2013 and 2014 and 2014 and 2015 represents depreciation expense. This net position may not be used to meet the Authority's ongoing obligations.

A portion of the Authority's net position of \$544,161 or 23.5 percent, \$682,268 or 30.7 percent and \$721,205 or 29.3 percent at December 31, 2015, 2014 and 2013, respectively, represents resources that are subject to board-restrictions on how they can be used. The decrease of \$138,107 between 2015 and 2014, and \$38,937 between 2014 and 2013 is due to a decrease in restricted generation fee revenue and an increase in the payouts for community recycling grants and programs. The board-restricted net position is currently not available for new spending because they are currently committed by the Board as follows:

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis (MD&A) (continued)
For the Year Ended December 31, 2015 and 2014
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FINANCIAL POSITION (continued)

	2015	2014	2013
Community recycling grants and programs	\$ <u>544,161</u>	\$ <u>682,268</u>	\$ <u>721,205</u>

The remaining unrestricted net position of \$1,577,101, \$1,552,146, and \$1,525,609 at December 31, 2015, 2014 and 2013, respectively, 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:

	2015	2014	2013
Generation fees – operations	\$ 1,255,195	\$ 1,281,684	\$ 1,354,354
Generation fees – landfill closure fund	537,940	549,293	580,437
Generation fees – community recycling grants	448,284	457,745	483,697
Grants revenue	59,032	69,425	19,925
Tire fees	2,939	2,665	2,579
Miscellaneous	3,032	8,759	11,506
TOTAL OPERATING REVENUES	\$ <u>2,306,422</u>	\$ <u>2,369,571</u>	\$ <u>2,452,498</u>

Generation fees comprised 97.2 percent, 96.6 percent, and 98.6 percent of total operating revenues for 2015, 2014, and 2013, respectively. Of that 97.2, 96.6, and 98.6 percent, 24.0 percent is restricted for the Hardy Road Landfill for 2015, 2014, and 2013. And, 20.0 percent is board-restricted for community recycling grants and programs.

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

	2015	2014	2013
Community recycling grants and programs	\$ 406,390	\$ 496,682	\$ 377,366
Landfill closure expenses	529,744	539,072	581,171
Household hazardous waste recycling center	140,580	122,858	129,912
Health department contracts	160,000	160,000	160,000
Reduce, reuse, recycle programs	131,694	185,199	293,332
ODNR market development grant	69,032	62,500	-
Personnel – salaries and benefits	374,374	376,334	361,951
Occupancy	36,238	37,212	35,502
Office and equipment	27,076	33,157	27,435
Professional fees	109,748	109,289	147,573
Depreciation	9,139	9,139	9,139
Vehicles and travel expense	21,558	5,228	13,716
Advertising, branding and marketing	198,694	258,162	41,651
TOTAL OPERATING EXPENSES	\$ <u>2,214,267</u>	\$ <u>2,394,832</u>	\$ <u>2,178,748</u>

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

	2015	2014	2013
Interest income	\$ <u>3,996</u>	\$ <u>3,722</u>	\$ <u>1,134</u>

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis (MD&A) (continued)
For the Year Ended December 31, 2015 and 2014
(UNAUDITED)

FINANCIAL POSITION (continued)

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

	2015	2014	2013
Total operating revenues	\$ 2,306,422	\$ 2,369,571	\$ 2,452,498
Total operating expenses before depreciation	(2,205,128)	(2,385,693)	(2,169,609)
Operating income/(loss) before depreciation	101,294	(16,122)	282,889
Depreciation	(9,139)	(9,139)	(9,139)
Operating income/(loss)	92,155	(25,261)	273,750
Nonoperating income/(loss)	3,996	3,722	1,134
Increase/(decrease) in net position	96,151	(21,539)	274,884
Net position, beginning of year (Restated)	2,223,599	2,463,580	2,188,696
NET POSITION, END OF YEAR	\$ 2,319,750	\$ 2,442,041	\$ 2,463,580

- Operating income/ (loss) before depreciation increased \$117,416 between 2015 and 2014. The majority of this increase is the result of decreases in expenses due to decreases in community recycling grants and programs expense, landfill closure expenses, reduce, reuse, recycle programs expense, personnel expenses, occupancy expenses, office and equipment expenses, and, advertising, branding and marketing expenses. A portion of the decrease in expenses was offset by increases in household hazardous waste recycling center, grant expenses, professional fees expenses, and, vehicle and travel expenses.
- Operating income/ (loss) before depreciation decreased \$299,011 between 2014 and 2013. The majority of this decrease is the result of a decrease in solid waste tonnage, resulting in a decrease in generation fees and, an increase in expenses due to increases in community recycling grants and programs expense, grant expenses, personnel expenses, advertising, branding and marketing, and various other small increases in expense categories. A portion of the increase in expenses was offset by decreases in landfill closure expenses, household hazardous waste recycling center, reduce, reuse, recycle programs, professional fee expenses, and, other small decreases in expense categories.

CAPITAL ASSETS

The Authority's capital assets as of December 31, 2015 and 2014 totaled \$198,488 and \$207,627, which include land, land improvements, building and building improvements, a vehicle, equipment, and leasehold improvements. See Note D for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Authority's board of trustees considered many factors when setting the calendar year 2016 budget. Generation fees have a direct correlation to economic conditions and consumer spending. Many historical factors and waste generation information were reviewed and considered.

The points for consideration in the development of the 2016 budget were:

- In 2004, ReWorks' generation fee increased from \$2.75/ton to \$5.00/ton.
- The fee was divided into three portions. The first portion of \$1.20 funds the post-closure care of the Hardy Road Landfill. Since 2005, we have paid a total of \$6,563,015 of the total obligation of \$11,514,000.
- One dollar (\$1) goes back to communities to assist with funding curbside, drop-off recycling programs and organics recycling. Since its inception, Reworks has distributed \$5,375,486 for these activities.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (continued)

- The remaining \$2.80 funds all of our recycling and education programs, salaries and administrative expenditures.
- Prior to 2008, Summit County routinely generated over 500,000 tons in waste annually. Over the last several years, and illustrated below, we have experienced a decline in the amount of waste disposed and revenue generated.

Year	2011	2012	2013	2014	2015
Tons	500,100	447,738	483,698	457,745	448,284
Revenue	\$2,500,500	\$2,238,687	\$2,418,488	\$2,288,722	\$2,241,419

- Traditionally, factors which influence the amount of waste generated are:
 - Economic conditions
 - Weather conditions
 - Population
- Nationally and locally we are producing less waste, the reasons listed below are possibly why:
 - Stable and aging population
 - Millennial generation is less consumption oriented
 - Changing composition of waste; light-weighting of products
 - More opportunities to recycle and divert waste
- These changes were anticipated in our current Solid Waste Plan which directs us to continue to trim expenditures and use reserve funds to cover expected shortfalls.
- We expect to generate 445,000 to 450,000 tons of waste in 2016.

In conclusion we anticipate using approximately \$100,285 of reserved funds to span the gap between expenditures and revenue during 2016.

Review of the economic performance of the Summit Akron Solid Waste Management Authority for 2015.

- Although we anticipated that we would use approximately \$340,085 of reserved monies, actual expenditures from reserves were less than \$70,000. This is largely due to the closing down of our food composting program in July 2015. Roughly 52% of the \$160,000 budgeted for this program was spent before operations ceased. The funds were also used to support community grants and programs to supplement the financing of County-wide recycling education and promotion programs which will provide a uniform, consistent, and frequent recycling message.
- Projected revenue was based on generating and receiving fees for 455,000 tons of trash during 2015. Actual tonnage was 448,284, which means that revenue was approximately \$33,580 less than expected for the year.
- Three factors may be responsible for the continued decline of the amount of waste generated in Summit County:
 - Economic conditions and climate that is not as positive as other portions of the country;
 - Continued decline in population in the City of Akron, the county's largest municipality;

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (continued)

- Growth of curbside and commercial recycling in the County.
- We reduced program expenditures for the Household Hazardous Waste Recycling Center and other recycling program expenditures to offset increases in other expense areas that are not as easily controlled.

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: **Robert Genet, Acting Executive Director at 12 East Exchange Street, 3rd Floor, Akron, OH 44308.**

Summit/Akron Solid Waste Management Authority
STATEMENT OF NET POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 342,874	\$ 238,486
Cash and cash equivalents – unrestricted	1,871,063	1,828,960
Cash and cash equivalents – Board restricted	<u>544,161</u>	<u>682,268</u>
Total cash and cash equivalents	2,758,098	2,749,714
Accounts/grants receivable	251,495	217,516
Prepaid expenses	<u>10,554</u>	<u>10,427</u>
TOTAL CURRENT ASSETS	<u>3,020,147</u>	<u>2,977,657</u>
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	198,488	207,627
OTHER ASSETS		
Deposits	<u>566</u>	<u>566</u>
TOTAL ASSETS	<u>\$ 3,219,201</u>	<u>\$ 3,185,850</u>
DEFERRED OUTFLOWS OF RESOURCES-Pension	<u>\$ 60,841</u>	<u>\$ -</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 14,890	\$ 29,341
Accrued payroll and payroll withholdings	6,683	5,373
Intergovernmental payable	<u>624,132</u>	<u>668,881</u>
TOTAL CURRENT LIABILITIES	<u>645,705</u>	<u>703,595</u>
NONCURRENT LIABILITIES		
Due in more than one year:		
Compensated absences	42,985	40,214
Net pension liability	<u>266,913</u>	<u>-</u>
TOTAL LIABILITIES	<u>955,603</u>	<u>743,809</u>
DEFERRED INFLOWS OF RESOURCES-Pension	<u>4,689</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>960,292</u>	<u>743,809</u>
NET POSITION		
Net investment in capital assets	198,488	207,627
Board restricted for community recycling grants/programs	544,161	682,268
Unrestricted	<u>1,577,101</u>	<u>1,552,146</u>
TOTAL NET POSITION	<u>2,319,750</u>	<u>2,442,041</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,280,042</u>	<u>\$ 3,185,850</u>

See accompanying notes to the financial statements.

Summit/Akron Solid Waste Management Authority
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Generation fees	\$ 2,241,419	\$ 2,288,722
Grant revenue	59,032	69,425
Tire collection fees	2,939	2,665
Miscellaneous	3,032	8,759
TOTAL OPERATING REVENUES	<u>2,306,422</u>	<u>2,369,571</u>
OPERATING EXPENSES		
Community recycling grants and programs	406,390	496,682
Landfill closure expenses	529,744	539,072
Household hazardous waste recycling center	140,580	122,858
Health department contracts	160,000	160,000
Reduce, reuse, recycle programs	131,694	185,199
ODNR market development and other grants	69,032	62,500
Personnel – salaries and benefits	374,374	376,334
Occupancy	36,238	37,212
Office and equipment	27,076	33,157
Professional fees	109,748	109,289
Depreciation	9,139	9,139
Vehicles and travel expense	21,558	5,228
Advertising, branding and marketing	198,694	258,162
TOTAL OPERATING EXPENSES	<u>2,214,267</u>	<u>2,394,832</u>
OPERATING INCOME/(LOSS)	92,155	(25,261)
NONOPERATING REVENUES:		
Interest income	3,996	3,722
TOTAL NONOPERATING REVENUES	<u>3,996</u>	<u>3,722</u>
CHANGE IN NET POSITION	96,151	(21,539)
NET POSITION, BEGINNING OF YEAR (Restated - Note B)	<u>2,223,599</u>	<u>2,463,580</u>
NET POSITION, END OF YEAR	<u>\$ 2,319,750</u>	<u>\$ 2,442,041</u>

See accompanying notes to the financial statements.

Summit/Akron Solid Waste Management Authority
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Generation fee receipts	\$ 2,198,112	\$ 2,203,861
Grants income	59,032	69,425
TV and tire fees	2,939	2,665
Other cash received	3,032	8,759
	2,263,115	2,284,710
Health Department contracts	(160,000)	(200,000)
Payments to suppliers	(683,109)	(836,874)
Payments to employees	(374,986)	(371,841)
Other payments	(1,040,632)	(1,005,124)
	(2,258,727)	(2,413,839)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,388	(129,129)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,996	3,722
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,996	3,722
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,384	(125,407)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,749,714	2,875,121
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,758,098	\$ 2,749,714
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income/(loss)	\$ 92,155	\$ (25,261)
Adjustments to reconcile increase in net position to net cash provided by/(used by) operating activities		
Depreciation	9,139	9,139
Increase in deferred outflows of resources-pension	(18,399)	-
Change in assets and liabilities:		
Accounts/grants receivable	(33,979)	(42,761)
Prepaid expenses	(127)	(53)
Accounts payable	(14,451)	(1,788)
Compensated absences payable	2,771	1,867
Accrued payroll and payroll withholdings	1,310	2,626
Intergovernmental payable	(44,749)	(72,898)
Net pension liability	6,029	-
Increase in deferred inflows of resources-pension	4,689	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 4,388	\$ (129,129)

See accompanying notes to the financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

Nature of Activities

Summit/Akron Solid Waste Management Authority (the Authority), a political subdivision of Summit County, was established pursuant to Chapters 343 and 3734 of the Ohio Revised Code to develop a long-term solution to the management of solid waste (trash and garbage) in Summit County, Ohio, while also protecting the environment. The Authority supports and implements programs that increase recycling, sustainability, conservation of natural resources, waste minimization and preservation of the environment. The Authority operates under a 15 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*", GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units*", and, GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 3*", 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, contracted services, supplies, and, depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including generation fees which are accrued. Expenses are recognized at the time the liability is incurred.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

Measurement Focus/Basis of Accounting (Continued)

The Authority's measurement focus/basis of accounting is reported in accordance with Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" (GASB #63). GASB #63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*". In Concepts Statement No. 4, the GASB defines a deferred outflow of resources as a consumption of net position by a government that is applicable to a future reporting period; a deferred inflow of resources as an acquisition of net position by a government that is applicable to a future reporting period; and net position as the residual of all other elements presented in a statement of net position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of net position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net position in a statement of net position.

The Authority also implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", which establishes accounting and financial reporting standards that reclassify, as *deferred outflow of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Budgeted Revenues and Expenses

Expenses may not exceed the Authority's board of trustees approved annual budget plus any amounts reserved by purchase orders at the end of the prior year, and, consequently estimated resources. The Board approves the annual budget and all subsequent budget amendments. The budget is prepared on the cash basis.

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.

Investments

Investments are stated at fair value.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

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.

Capital Assets

Capital assets are stated at historical cost. Depreciation is provided on a straight-line basis over the assets' estimated useful lives. The estimated useful lives range from 3 to 40 years.

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

Pension (OPERS)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is comprised of the various net earnings from operating and non-operating revenues and expenses. Net position can be classified in three components: net investment in capital assets; board-restricted for community recycling grants and other programs; and, unrestricted net position. Investment in capital assets consists of all capital assets net of accumulated depreciation. Board-restricted net position consists of net position for which limitations have been imposed on their use by the Board of Trustees. Unrestricted net position consists of all other net positions not included in the above categories.

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 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date---and amendment of GASB Statement No. 68."

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 and 2014

**NOTE B – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION
 (Continued)**

GASB #68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

Net position at December 31, 2014	\$2,442,041
Adjustments:	
Net pension liability	(260,884)
Deferred outflow – payments subsequent to measurement date	42,442
Restated net position at December 31, 2014	\$2,223,599

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE C – DEPOSITS AND INVESTMENTS

The investment and deposit of monies are governed by provisions of the Ohio Revised Code and the Board of Trustee’s Finance Committee. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The provisions also permit the Authority to deposit or invest its money in certificates of deposit, savings accounts, money market accounts, the State Treasury Asset Reserve of Ohio (STAR Ohio and STAR Ohio Plus) 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 provide 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 accounts for the total value of public monies on deposit at the institutions.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States. Ohio state law does not require security for public deposits and investments to be maintained in the Authority’s name.

During 2015, the Authority complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made. The Authority was also in compliance with applicable statutes pertaining to the public deposits and investments.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand

At December 31, 2015 and 2014, the Authority had \$100 in undeposited cash on hand which is included in the financial statements as part of “Cash”.

Deposits

At December 31, 2015, the carrying amount of the Authority’s deposits was \$1,999,998 and the bank balances were \$2,053,689. At December 31, 2014, the carrying amount of the Authority’s deposits was \$1,892,275 and the bank balances were \$1,928,998. The difference between the carrying amounts and the bank balances were outstanding checks and deposits in transit. Beginning January 1, 2013, the FDIC insured the Authority’s bank balance up to the standard maximum deposit insurance amount of \$250,000 per bank. The balances held at these institutions exceeded the FDIC insured limit by \$146,465 and \$25,109 as of December 31, 2015 and 2014, respectively. These amounts were covered by pooled, pledged collateral with securities held by the pledging financial institutions’ trust departments in accordance with Ohio law.

Investments

The Authority’s investments at December 31, 2015 and 2014 consisted of the following:

Investments:	Carrying Value:	Fair Value:
2015 STAR Ohio	\$ 758,000	\$ 758,000
2014 STAR Ohio	\$ 857,339	\$ 857,339

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2015 and 2014.

As of December 31, 2015 and 2014, the Authority had the following investments and maturities.

Investment Type	Fair Value	Credit Rating (*)	Investment Maturities		
			(In Years)		
			<1	1-2	2-3
2015 STAR Ohio	\$ 758,000	AAAm	\$ 758,000	\$ 0	\$ 0
2014 STAR Ohio	\$857,339	AAAm	\$857,339	\$ 0	\$ 0

**Credit rating was obtained from Standard & Poor’s for all investments.*

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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

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

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

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

NOTE 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 consecutive working days or longer to be supported by a certificate from a licensed physician stating that the employee was under said physician's care. Sick leave of less than 3 days is submitted and approved using the prescribed Authority sick leave form. All full-time employees earn 4.6 hours of sick leave per 80 hours of service or 120 hours per year. Part-time employees shall receive credit pro-rated based on hours worked. Employees who retire in accordance with any retirement plan offered by the State of Ohio or who die shall be paid one-half of the value of their accrued but unused sick leave credit at the time of retirement or death; however the maximum accrual for which the employee shall be paid shall not exceed forty-five days. To qualify for such payment, employees shall have had prior to the date of retirement or death, ten or more years of combined service with the Authority, the State, or any of its political subdivisions and met all retirement criteria as established by the Public Employees Retirement System of the State of Ohio.

The effects of this policy resulted in a liability of \$42,985 and \$40,214 for compensated absences as of December 31, 2015 and 2014, respectively, and an expense in Personnel-salaries and Benefits of \$2,772 and \$1,867 for the years ended December 31, 2015 and 2014, respectively. Sick leave benefits are accrued as a liability using the vesting method.

Employees may take up to 24 hours of personal leave annually. Personal leave is subtracted from accumulated sick leave balances and may not be carried from one year to the next.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE E – 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.

NOTE F – CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Description	2014 Beginning Balances	2014 Additions	2014 Dispositions	2014 Ending Balances	2015 Additions	2015 Dispositions	2015 Ending Balances
Total capital assets not being depreciated							
Land	\$ 18,748	\$ -	\$ -	\$ 18,748	\$ -	\$ -	\$ 18,748
Capital assets being depreciated							
Land improvements	131,692	-	-	131,692	-	-	131,692
Building and building improvements	217,525	-	-	217,525	-	-	217,525
Vehicles	19,509	-	-	19,509	-	-	19,509
Equipment	67,675	-	-	67,675	-	-	67,675
Leasehold improvements	11,529	-	-	11,529	-	-	11,529
Total capital assets being depreciated	447,930	-	-	447,930	-	-	447,930
Less: Accumulated depreciation	(249,912)	(9,139)	-	(259,051)	(9,139)	-	(268,190)
Net capital assets being depreciated	198,018	(9,139)	-	188,879	(9,139)	-	179,740
Net capital assets	\$ 216,766	\$ (9,139)	\$ -	\$ 207,627	\$ (9,139)	\$ -	\$ 198,488

NOTE G – OPERATING LEASE

The Authority signed a new operating lease agreement for its facilities effective August 1, 2014. The Authority also leases a copier under a 39-month operating lease. The facility lease requires monthly rent of \$2,390 and will expire in July 2018. At the expiration of the original term of the lease, the Authority has the option to lease the facilities at 150 percent of the then current rentals and charges. The copier lease requires monthly rent of \$273 with a possible 3 per cent increase per year and will expire in August 2016.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2015:

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 and 2014

NOTE G – OPERATING LEASE (continued)

Year Ending December 31	Amount
2016	\$ 30,864
2017	28,680
2018	16,730
	\$ 76,274

Facility lease expense and office equipment lease expense for the years ended December 31, 2015 and 2014 was \$32,210 and \$33,431, respectively.

NOTE H – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees, exchanging employer salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as a part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Authority’s obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees services in exchange for compensation including pension.

GASB #68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State of Ohio (the State) statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 and 2014

NOTE H – DEFINED BENEFIT PENSION PLAN (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the here member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or 5 years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire 10 years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years & 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years & 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years & 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 and 2014

NOTE H – DEFINED BENEFIT PENSION PLAN (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy

The Ohio Revised Code provides statutory authority for member and employer contributions as follows:

	Local Governments (the Authority)
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-employment health care benefits	2.0%
Total employer	14.0%
 Employee	 10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payrolls. The Authority’s contractually required contribution was \$36,823 for 2015. Of this amount, \$2,988 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the Authority’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate share of the net pension liability	\$266,913
Proportion of the net pension liability	.002213%
Pension expense calculated at the proportionate share	\$29,142

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 and 2014

NOTE H – DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	OPERS
Net difference between projected and actual earnings on pension plan investments	\$24,018
Authority contributions subsequent to the measurement date	36,823
Total deferred outflows of resources	\$60,841
Deferred Inflows of Resources	OPERS
Differences between expected and actual experience	\$4,689

\$36,823 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year ending December 31:	
2016	\$1,397
2017	1,397
2018	3,199
2019	3,560
Total	\$9,553

Actuarial Assumptions-OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation		3.75 percent
Future salary increases, including inflation	4.25 to 10.05	percent including wage inflation
COLA or Ad Hoc COLA		3 percent, simple
Investment rate of return		8 percent
Actuarial cost method		Individual entry age

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE H – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions-OPERS (continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00%	2.31%
Domestic equities	19.90%	5.84%
Real estate	10.00%	4.25%
Private equity	10.00%	9.25%
International equities	19.10%	7.40%
Other investments	18.00%	4.59%
Total	100.00%	5.28%

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 and 2014

NOTE H – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions-OPERS (continued)

Discount Rate---The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority’s proportionate share of the net pension liability	\$491,043	\$266,913	\$78,141

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– FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, cash equivalents, grants and other receivables, payables and accrued expenses are reasonable estimates of fair value due to the short-term nature of these financial instruments.

NOTE K – WASTE REDUCTION/RECYCLING GRANTS

The State of Ohio’s Solid Waste Management Plan requires the Authority to implement waste reduction and recycling strategies within Summit County. One of the strategies designated in the Authority’s solid waste plan is to implement a commercial/industrial grant program for the reduction of waste going into landfills. Funds for this grant are exclusively targeted toward recycling and education and awareness activities in the commercial sector of Summit County. Projects are restricted to activities that provide quantitative data in which the effect on waste reduction and recycling can be directly measured or through variables that demonstrate a very high correlation with the amount of waste reduced or recycled. Grants in the amounts of \$10,000 and \$-0- were distributed in 2015 and 2014, respectively.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE L – GRANT AGREEMENTS

The Authority was awarded \$59,032 and \$69,425 for the years ending December 31, 2015 and 2014, respectively, from the Ohio Environmental Protection Agency for market development grants.

NOTE M – INTERGOVERNMENTAL LIABILITY

The Authority collects \$5.00 per ton in generation fees for processing solid waste in Summit County. Of this amount, \$1.20 per ton is to be used to assist the City of Akron with the closure of the Hardy Road landfill and recorded as an intergovernmental liability in the amounts of \$529,744 and \$539,072 at December 31, 2015 and 2014, respectively.

NOTE N – BOARD-RESTRICTED NET ASSETS

As noted in Note M, the Authority collects \$5.00 per ton in generation fees for processing solid waste in Summit County. Of this amount, the Board of Trustees has elected to distribute \$1.00 per ton to or on behalf of the communities in Summit County to assist with their recycling programs and is recorded as a board-restricted net asset and board-restricted cash in the amounts of \$544,161 and \$682,268 at December 31, 2015 and 2014, respectively.

NOTE O – CONTINGENCIES

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

NOTE P – 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 Q - SUBSEQUENT EVENTS

Subsequent events were evaluated by management through June 15, 2016, the date the financial statements were available to be issued.

Summit/Akron Solid Waste Management Authority
 Required Supplementary Information
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Ohio Public Employees Retirement System - Traditional Plan
 Last Two Years (1)

	2014	2013
Authority's Proportion of the Net Pension Liability	0.002213%	0.002213%
Authority's Proportionate Share of the Net Pension Liability	\$ 266,913	\$ 260,884
Authority's Covered-Employee Payroll	\$ 275,218	\$ 246,387
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	96.98%	105.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available

Amounts presented as of the Authority's measurement date
 which is the prior fiscal year end.

Summit/Akron Solid Waste Management Authority
 Required Supplementary Information
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
 Ohio Public Employees Retirement System
 Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 36,823	\$ 42,442	\$ 30,351
Contributions in Relation to the Contractually Required Contribution	\$ <u>(36,823)</u>	\$ <u>(42,442)</u>	\$ <u>(30,351)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Authority Covered-Employee Payroll	\$ 278,736	\$ 275,218	\$ 246,387
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Summit/Akron Solid Waste Management Authority
Summit County
12 East Exchange Street
3rd Floor
Akron, Ohio 44308

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Summit/Akron Solid Waste Management Authority, Summit County (the Authority) as of and for the years ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 15, 2016, wherein we noted that other auditors audited the basic financial statements of the Authority as of and for the year ended December 31, 2014. We also noted the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority'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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
June 15, 2016



Dave Yost • Auditor of State

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
AUGUST 18, 2016**