STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT

TUSCARAWAS COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2016

CEH Charles E. Harris & Associates
certified public accountants & government consultants

Dave Yost • Auditor of State

Board of Directors
Stark-Tuscarawas-Wayne Joint Solid Waste Management District
9918 Wilkshire Boulevard, NE
Bolivar, Ohio 44612

We have reviewed the *Independent Auditor's Report* of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. 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 Stark-Tuscarawas-Wayne Joint Solid Waste Management District is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

September 1, 2017

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Stark-Tuscarawas-Wayne Joint Solid Waste Management District
Tuscarawas County

For the Year Ended December 31, 2016

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

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, Ohio (the District), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District'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 Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows thereof, for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

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 1, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.
June 1, 2017

This discussion and analysis of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District's (the District) financial performance provides an overall review of the District's financial activities for the years ended December 31, 2016 and 2015. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

The District's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board (GASB). The financial information of the District is accounted for in 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 for all items except equipment and furniture and greater than or equal to $2,500 for equipment and furniture, are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the District's significant accounting policies.

Following this management's discussion and analysis are the basic financial statements of the District together with the notes, which are essential to a full understanding of the data contained in the financial statements. Included in the financial statements for the District are the following:

- Statement of Net Position – This statement presents information on all of the District's assets and deferred outflows of resources and all of the District's liabilities and deferred inflows of resources, with the difference between the two reported as net position.

- Statement of Revenues, Expenses and Changes in Net Position – This statement includes all operating and nonoperating revenues and expenses for the District and shows the change in the District's net position during the most recent year.

- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the year resulting from operating, capital and investing activities. A reconciliation of operating income with cash provided from operations is included.

Financial Highlights

The District implemented the second year of its Plan Update approved by the Ohio EPA on December 24, 2014. After five years of growth in its net position, the District did recognize a reduction in 2016 so it could invest in vehicle acquisitions, recycling drop-off site improvements, road repairs, and other recycling programs. The District also partnered with the City of Canton Recycling Center and Canton City Health Department to once again provide a household hazardous waste collection after discontinuing the annual collections in 2010. The new collection is an appointment based year-round permanent site that serves all three counties. Additionally, a few satellite collection events were hosted by Buehler's Fresh Foods and disposed of by Clean Harbors.

Maintaining all core recycling programs essential to meeting the Ohio State Plan Goals of providing sufficient access to recycling programs or achieving the waste reduction and recycling rates remain the District's focus. All other plan strategies were re-evaluated to determine priority service to the public while maintaining a fiscally responsible budget. The District continues to distribute annual newsletters to every household and provides updated information on its website that provide year-round solutions for disposal of appliances, electronic waste, household hazardous waste, prescription drugs, yard waste, and other items. The District also works with communities and private businesses to help facilitate local collections and identify new outlets for hazardous and electronic waste.

Financial Position

The analysis below focuses on the District's financial position and the results of operations for 2016 compared to 2015:

	2016	2015	Change
Assets			
Current and Other Assets	$5,836,010	$7,198,923	($1,362,913)
Capital Assets, Net	1,606,975	1,570,800	36,175
Total Assets	7,442,985	8,769,723	(1,326,738)
Deferred Outflows of Resources	377,765	97,564	280,201
Liabilities	1,220,325	928,481	(291,844)
Deferred Inflows of Resources	16,054	8,533	(7,521)
Net Position			
Investment in Capital Assets	1,601,975	1,570,800	31,175
Restricted for Other Purposes	4,007,600	5,518,195	(1,510,595)
Unrestricted	974,796	841,278	133,518
Total Net Position	$6,584,371	$7,930,273	($1,345,902)
Revenues			
Operating Revenues	$3,653,696	$3,997,871	($344,175)
Non-operating Revenues	65,298	72,590	(7,292)
Total Revenues	3,718,994	4,070,461	(351,467)
Expenses	5,064,896	3,698,992	(1,365,904)
Change in Net Position	(1,345,902)	371,469	(1,717,371)
Net Position, Beginning of Year	7,930,273	7,558,804	371,469
Net Position, End of Year	$6,584,371	$7,930,273	($1,345,902)

The net pension liability (NPL) is the largest single liability reported by the District at December 31, 2016, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District'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.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. 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.

Under the new standards required by GASB 68, the net pension liability equals the District'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 District 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 payments, 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 liability section of the statement of net position.

In accordance with GASB 68, the District'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.

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $6,584,371 (net position) which is a decrease of $1,345,902. Of this amount, $4,007,600 of restricted net position is available for plan implementation of the 10 allowable expenses according to H.B. 592 and pursuant to the Ohio Revised Code 3734.57, Section (G). Restricted net position decreased from the prior year by $1,510,595, or 27.37 percent, which can be attributed to the District funding road repairs, the return of a residential household hazardous waste collection, increased recycling makes sense incentive grant payments, and increased program start-up grant payments for curbside and drop-off recycling and yard waste collection programs and site improvements.

Unrestricted net position increased from the prior year, increasing $133,518, or 15.87 percent, which can be attributed to the District crediting its recyclable income as unrestricted revenue compared to restricted revenue as in past years. This change was done as a result of an Ohio Attorney General opinion 2013-044 stating joint solid waste management districts may use revenue derived from its recycling program for purposes other than those listed in Ohio Revised Code 3734.57, Section (G). These unrestricted assets represent the accumulated interest income earned over time, in addition to the recycling income now also included, which may be used to fund expenses outside of the scope of the Plan Update or any proper purpose of the District.

A portion of the District's net position ($1,601,975, or 24.33 percent, and $1,570,800, or 19.81 percent, at December 31, 2016 and 2015, respectively, for a net increase of $31,175, or 1.98 percent) represents the District's investment in its capital assets. The increase in the District's investment in its capital assets is the net result of purchasing a Ford F-250 pickup truck and a recycling truck offset by the trade-in of a recycling truck and donation of a Ford Explorer and Ford Ranger to the Tuscarawas County Commissioners and Stark County Commissioners, respectively.

The District's expenses exceeded its revenues by $1,345,902. After five years of growth in its net position, the District used its resources to invest in vehicle acquisitions, recycling drop-off site improvements, road repairs, and other recycling grant programs. The District also partnered with the City of Canton Recycling Center and Canton City Health Department to once again provide a household hazardous waste collection after discontinuing the annual collections in 2010.

The District's revenues decreased $351,467, or 8.63 percent, and expenses increased $1,365,904, or 36.93 percent. The decrease in revenue can be attributed to decreased tipping fees and recyclable income. The increase in expenses can be attributed to the District funding road repairs, the return of a residential household hazardous waste collection, increased recycling makes sense incentive grant payments, and increased program start-up grant payments for curbside and drop-off recycling and yard waste collection programs and site improvements. With the District's current Plan Update going into effect in 2015, the District re-evaluated certain programs and returned or increased funding to key areas required to meet State goals previously eliminated or reduced based on budgetary restrictions. The District will continue to make adjustments while keeping a close eye on its overall financial position as it continues to work on the current Plan Update that commenced in the fall of 2016.

The District's primary revenues are tipping fees. These receipts represented 92.56 percent of the total revenues received during the year. Tipping fee revenues for 2016 decreased by $245,735 as compared to 2015. The decrease in tipping fee revenue was seen in inside and outside District fees, while outside state tipping fees increased by $15,178. This was the second year in a row since 2010 the District saw a decrease in tipping fees. In 2006, tipping fee revenue totaled $5,524,941 but was then reduced almost by half, as a result of the displacement of waste to facilities outside the District, and it is not anticipated they will return to that historical level in the near future. However, the tipping fees had been steadily rebounding since 2010 and now appear to be leveling off.

The District's primary expenses are grants to various municipalities and county government agencies to assist with recycling, waste reduction and safe and sanitary disposal of waste in the landfills. These expenses represent 34.47 percent of the total expenses incurred during the year. Grants to others for 2016 totaled $1,745,814, which is an increase of $442,892, compared to 2015. The increase is due to higher incentive-based Recycling Makes Sense Grant payments to municipalities with curbside or drop-off recycling programs that are funded based on the volume of recyclables collected, as well as increased funding of the Program Start-Up and Compost and Recycling Infrastructure Enhancement grants. Grants also include funding for approved health departments, sheriff litter grants, and host community cleanup grants.

Capital Assets

As of December 31, 2016, the District had $1,606,975 invested in land improvements, building and improvements, leasehold improvements, furniture, fixtures and equipment, and vehicles. The table below shows 2016 balances compared to 2015:

	2016	2015
Construction in Progress	$37,000	$0
Land Improvements	56,590	60,075
Building and Improvements	240,529	252,762
Leasehold Improvements	304,823	318,076
Furniture, Fixtures and Equipment	12,754	17,396
Vehicles	955,279	922,491
Totals	$1,606,975	$1,570,800

All capital assets are reported net of depreciation. In 2016, capital assets increased slightly. This was primarily due to additions outpacing current year depreciation and capital asset deletions. For additional information on capital assets, see Note 10.

Current Known Facts and Conditions

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

The District's ratified plan update was approved by the Ohio EPA on December 24, 2014 and is in full implementation for 2016. Throughout the planning process the District re-evaluated its goals and objectives along with its current financial position to determine how best to re-align revenues and expenses. Some grant programs were reinstated along with increased education and marketing to continue to increase recycling rates and opportunities for the community.

Contacting the District's Management

This financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Erica R. Wright, Finance Director, at Stark-Tuscarawas-Wayne Joint Solid Waste Management District, 9918 Wilkshire Blvd NE, Bolivar, Ohio 44612 or email at erica@timetorecycle.org.

Basic Financial Statements

Stark-Tuscarawas-Wayne Joint Solid Waste Management District

Statement of Net Position
December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$5,396,699	$6,587,365
Accrued Interest Receivable	10,097	578
Settlement Receivable	12,500	12,500
Tipping Fee Receivable	330,593	447,210
Recyclable Income Receivable	23,621	29,180
Insurance Claim Receivable	0	45,629
Total Current Assets	5,773,510	7,122,462
Noncurrent Assets:		
Settlement Receivable	62,500	76,461
Nondepreciable Capital Assets	37,000	0
Depreciable Capital Assets, Net	1,569,975	1,570,800
Total Noncurrent Assets	1,669,475	1,647,261
Total Assets	7,442,985	8,769,723
Deferred Outflows of Resources		
Pension	377,765	97,564
Liabilities		
Current Liabilities:		
Accounts Payable	121,980	105,154
Accrued Wages	38,087	34,762
Contracts Payable	5,000	48,774
Intergovernmental Payable	181,759	225,291
Compensated Absences Payable	23,737	21,827
Total Current Liabilities	370,563	435,808
Long-Term Liabilities:		
Compensated Absences Payable (net of current portion)	18,861	6,972
Net Pension Liability (See Note 6)	830,901	485,701
Total Long-Term Liabilities	849,762	492,673
Total Liabilities	1,220,325	928,481
Deferred Inflows of Resources		
Pension	16,054	8,533
Net Position		
Investment in Capital Assets	1,601,975	1,570,800
Restricted for Other Purposes	4,007,600	5,518,195
Unrestricted	974,796	841,278
Total Net Position	$6,584,371	$7,930,273

See accompanying notes to the basic financial statements

Stark-Tuscarawas-Wayne Joint Solid Waste Management District

Statement of Revenues,
Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Tipping Fees:		
Inside District	$775,641	$786,604
Outside District	2,635,770	2,885,720
Outside State	30,747	15,569
Recyclable Income	211,426	298,439
Other	112	11,539
Total Operating Revenues	3,653,696	3,997,871
Operating Expenses		
Wages and Benefits	953,469	808,736
Education and Awareness	189,601	206,611
Road Repairs Around District Landfills	420,870	1
Tire Collection	72,375	57,810
Professional Fees	20,258	21,755
Administrative Office Supplies and Vehicle Expense	47,880	42,863
Utilities	12,568	13,019
Computer and Website	11,068	21,365
Postage and Delivery	6,130	4,055
Printing and Brochures	0	3,018
Administrative Travel and Expenses	764	582
Advertising	25	26
Cleaning and Maintenance	31,593	16,099
Insurance	26,584	23,820
Grants to Others:		
Financial Assistance to City/County Boards of Health	325,000	325,000
Community Recycling Grants	702,355	555,455
Yard Waste Grants	433,459	137,467
County Sheriff's Grants	285,000	285,000
Recycling Collection	643,939	496,066
Yard Waste Collection	418,323	392,959
Household Hazardous Waste/Electronics Collection	176,297	15,540
American Landfill	12,042	16,361
Depreciation Expense	235,964	255,384
Total Operating Expenses	5,025,564	3,698,992
Operating Income (Loss)	(1,371,868)	298,879
Non-Operating Revenues (Expenses)		
Landfill Settlement	0	3,861
Community Development Grant	37,871	0
Insurance Claim	0	45,629
Interest	25,966	23,100
Community Development Grant	(37,871)	0
Total Non-Operating Revenues (Expenses)	25,966	72,590
Change in Net Position	(1,345,902)	371,469
Net Position Beginning of Year	7,930,273	7,558,804
Net Position End of Year	$6,584,371	$7,930,273

See accompanying notes to the basic financial statements

Stark-Tuscarawas-Wayne Joint Solid Waste Management District

Statement of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Tipping Fees	$3,558,775	$3,570,976
Cash Received from Recycling Income	216,985	303,673
Other Cash Receipts	112	11,539
Cash Payments to Employees for Services	(868,206)	(829,779)
Cash Payments for Goods and Services	(881,923)	(332,179)
Cash Payments for Grants to Others	(1,768,891)	(1,265,295)
Cash Payments for Recyclable Material Collections	(1,207,642)	(841,581)
Net Cash Provided by (Used for) Operating Activities	(950,790)	617,354
Cash Flows from Noncapital Financing Activities		
Landfill Settlement	13,961	2,400
Insurance Claims	45,629	0
Net Cash Provided by Noncapital Financing Activities	59,590	2,400
Cash Flows from Capital Activities		
Acquisition of Capital Assets	(315,913)	(801,843)
Disposal of Capital Assets	0	3,663
Insurance Claim	0	2,120
Net Cash Used in Capital Activities	(315,913)	(796,060)
Cash Flows from Investing Activities		
Interest on Investments	16,447	22,910
Net Decrease in Cash and Cash Equivalents	(1,190,666)	(153,396)
Cash and Cash Equivalents Beginning of Year	6,587,365	6,740,761
Cash and Cash Equivalents End of Year	$5,396,699	$6,587,365

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	($1,371,868)	$298,879
Adjustments:		
Depreciation	235,964	255,384
(Increase) Decrease in Assets:		
Tipping Fees Receivable	116,617	(116,917)
Recyclable Income Receivable	5,559	5,234
Settlement Receivable	0	2,400
(Increase) Decrease in Deferred Inflows of Resources - Pension	243,624	5,920
Increase (Decrease) in Liabilities:		
Accounts Payable	16,826	40,973
Accrued Wages	3,325	5,152
Contracts Payable	0	48,774
Intergovernmental Payable	(43,532)	92,087
Compensated Absences Payable	13,799	(7,641)
Net Pension Liability	(155,050)	(8,954)
Decrease in Deferred Outflows of Resources - Pension	(16,054)	(3,937)
Net Cash Provided by (Used for) Operating Activities	($950,790)	$617,354

Noncash Transactions:

At December 31, 2015, the District had contracts payable related to the acquisition of capital assets for the amount of $48,774.

At December 31, 2016, the District had contracts payable related to the acquisition of capital assets for the amount of $5,000.

At December 31, 2016, the District had traded in a capital asset with a book value of $26,481 for the acquisition of a new capital asset.

See accompanying notes to the basic financial statements

Note 1 – Description of the Entity

The Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was formed on November 28, 1988 pursuant to Chapters 343 and 3734 of the Ohio Revised Code. The District is directed by a 9-member Board of Directors comprised of the three County Commissioners of Stark, Tuscarawas, and Wayne Counties and is a jointly governed organization of the three Counties. The District provides solid waste disposal, recycling opportunities, and other waste management services to these counties.

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14, the accompanying financial statements include all funds and activities over which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The District uses enterprise accounting to maintain its financial records during the year. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

The District uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Measurement Focus

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources includes pension reported in the government-wide statement of net position. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 6).

Cash and Investments

During 2016, investments were limited to federal home loan mortgage corporation notes, federal national mortgage association notes, federal farm credit bank notes, first American funds government obligations mutual fund and STAR Ohio.

During 2016, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices or, in the case of mutual funds, current share price. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Capital Assets

Capitalized assets utilized by the District are reported on the statement of net position. The District maintains a capitalization threshold of $5,000 for all capital assets except for furniture and fixtures which have a capitalization threshold of $2,500. Property and equipment are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. The cost of maintenance and repairs is expensed as incurred; significant betterments are generally capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Donated capital assets are recorded at acquisition values as of the date received. Depreciation of property and equipment is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	10-40 years
Buildings and Improvements	10-40 years
Furniture and Fixtures	5-10 years
Vehicles	5-10 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for employees with at least 25 years of current service with the District or other political subdivision of the State of Ohio, or 15 years of service and 45 years of age, or 5 years of service and 60 years of age.

Pensions

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 positon 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are for tipping fees and recyclable income. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. All revenues and expenses not meeting these definitions are reported as non-operating.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. For 2016, the

District had restricted net position in the amount of $4,007,600. Net position restricted for other purposes includes tipping fees which are available for plan implementation of the 10 allowable expenses according to H.B. 592 and pursuant to the Ohio Revised Code 3734.57, Section (G). Investment in capital assets consists of capital assets less accumulated depreciation.

Note 3 – Changes in Accounting Principles

For 2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the District's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The District participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The District incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Deposits and Investments

State statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Directors has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Interim monies may be invested or deposited in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debenture, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and, with certain limitations, bonds and other obligation of political subdivisions of the State of Ohio;

6. The State Treasury Asset Reserve of Ohio (STAROhio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) of (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed 30 days.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool stabled by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and the use of leverage of short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, 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 FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 year of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2016, the carrying amount of the District's deposits was $3,435,895 and the bank balance was $3,475,344. Of the bank balance $2,512,326 was covered by Federal depository insurance and the remaining balance of $963,018 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. At December 31, 2015, the carrying amount of the District's deposits was $4,634,484 and the bank balance was $4,670,275. Of the bank balance $2,506,633 was covered by Federal depository insurance and the remaining balance of $2,163,642 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2016, the District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value (NAV) Per Share:				
STAR Ohio	$67,179	51.6 Days	AAAm	N/A
Fair Value:				
Federal Home Loan Mortgage Corporation Notes	266,433	Less than three years	AA+	13.59 %
Federal National Mortgage Association Notes	1,328,854	Less than five years	AA+	67.77
Federal Farm Credit Bank Notes	284,968	Less than one year	AA+	14.53
First American Funds Government Obligations	13,370	Less than one year	N/A	0.68
Total Investments	$1,960,804			

As of December 31, 2015, the District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value (NAV) Per Share:				
STAR Ohio	$66,821	49 days	AAAm	N/A
Fair Value:				
Federal Home Loan Mortgage Corporation Notes	765,085	Less than five years	AA+	39.18 %
Federal National Mortgage Association Notes	641,667	Less than five years	AA+	32.86
Federal Farm Credit Bank Notes	300,395	Less than five years	AA+	15.38
Federal Home Loan Bank Notes	164,793	Less than one year	AA+	8.44
First American Funds Government Obligations	14,120	Less than one year	N/A	0.72
Total Investments	$1,952,881			

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District’s recurring fair value measurements as of December 31, 2016. All of the District’s investments measured at fair value are valued using quoted market prices (Level 1 inputs). The District’s remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by 2 percent and be marked to market daily. The District had no investment policy that would further limit investment choices.

Credit Risk STAR Ohio carries a credit rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Bonds, and First American Funds Government Obligations Mutual Fund are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The District has no investment policy dealing with investment custodial credit risk beyond the requirements in State statute that requires securities shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Concentration of Credit Risk The District places no limit on the amount it may invest in any one issuer.

Note 5 – Receivables

Receivables at December 31, 2016, consisted of accrued interest, a legal settlement receivable, tipping fees, and recyclable income. All receivables are deemed collectible in full.

The legal settlement receivable is due to a legal dispute between the District and American Landfill, Incorporated (ALI) related to the solid waste disposal and landfill operations at ALI's American Landfill in Stark County. Per the settlement agreement, ALI shall submit ten annual payments to the District in the amount of $12,500 per year, for a total of $125,000. In exchange, the District agreed to dismiss the lawsuit against ALI. The first payment from ALI was received during 2013. Per the settlement agreement, the District will use the funds to monitor groundwater; however, any excess funds may be retained by the District to be used for any proper purpose of the District.

Note 6 – 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 – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as 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 District's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the 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 District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District 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 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 the 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 the accrual basis of accounting.

Plan Description

Plan Description – District employees 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. District employees) may elect the member-directed plan and the 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 the 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 three 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 Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** 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 and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 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.

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 (ORC) provides statutory authority for member and employer contributions as follows:

	2016	2015
Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %
Actual Contribution Rates		
Employer:		
Pension	12.0 %	12.0 %
Post-employment Health Care Benefits	2.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $72,257 for 2016. Of this amount, $3,642 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District'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
Proportion of the Net Pension Liability:	
Current Measurement Date	0.00479700%
Prior Measurement Date	0.00402700%
Change in Proportionate Share	0.00077000%
Proportionate Share of the Net Pension Liability	$830,901
Pension Expense	$144,777

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$244,233
Changes in proportion and differences between District contributions and proportionate share of contributions	61,275
District contributions subsequent to the measurement date	72,257
Total Deferred Outflows of Resources	$377,765
Deferred Inflows of Resources	
Differences between expected and actual experience	$16,054

$72,257 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2017	$81,688
2018	85,594
2019	66,903
2020	55,269
Total	$289,454

Actuarial Assumptions

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 was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented as follows:

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

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 the 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 0.4 percent for 2015.

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 2015 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 %

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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the District'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%)
District's proportionate share of the net pension liability	$1,323,828	$830,901	$415,132

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Note 7 – Postemployment Benefits

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the District's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was $12,043, $11,941, and $9,875, respectively. For 2016, 92.06 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

During 2015 and 2016, the District obtained commercial insurance through Leonard Insurance, for the following risks:

Coverage	Limit
Property	$958,120
Automobile	1,000,000
General Liability	1,000,000
Public Officials	1,000,000
Umbrella	3,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 9 – Capital Leases

In prior years, the District entered into two leases, one with Stark County and one with Wayne County. Both leases were for garage expansion projects at the respective counties. The terms of each lease required the District to pay $100,000 towards the construction of additional space in the Counties' garages. The construction payment was in lieu of paying rent for a ten-year period. The District is using the new garage space for the ten-year period, at which point the terms of the leases will be renegotiated. The Stark County lease expires December 31, 2019 and the Wayne County lease expires December 31, 2020. The assets were not capitalized, per District policy.

The District completed the Stark County Garage Upgrade & Expansion project in December 2015 for a total cost of $331,329. The existing Stark County lease agreement was amended to extend and modify the terms for a period of twenty-five (25) years, commencing on August 1, 2015 and ending on July 31, 2040, upon which time the terms of the lease will be renegotiated. These leasehold improvements will be capitalized in accordance with the District's 2015 updated capital assets policy and depreciated over the life of the lease. The improvements will revert to Stark County at the expiration of the lease.

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016
Capital Assets not being depreciated:				
Construction in Progress	$0	$37,000	$0	$37,000
Capital Assets being depreciated:				
Land Improvements	91,745	0	0	91,745
Building and Improvements	482,596	0	0	482,596
Leasehold Improvements	331,329	0	0	331,329
Furniture, Fixtures and Equipment	109,548	0	0	109,548
Vehicles	1,551,765	261,620	(244,163)	1,569,222
Total Capital Assets being depreciated	2,566,983	261,620	(244,163)	2,584,440
Less Accumulated Depreciation				
Land Improvements	(31,670)	(3,485)	0	(35,155)
Building and Improvements	(229,834)	(12,233)	0	(242,067)
Leasehold Improvements	(13,253)	(13,253)	0	(26,506)
Furniture, Fixtures and Equipment	(92,152)	(4,642)	0	(96,794)
Vehicles	(629,274)	(202,351)	217,682	(613,943)
Total Accumulated Depreciation	(996,183)	(235,964)	217,682	(1,014,465)
Total Capital Assets being Depreciated, net	$1,570,800	$25,656	($26,481)	$1,569,975
Total Capital Assets, net	$1,570,800	$62,656	($26,481)	$1,606,975

Capital asset activity for the fiscal year ended December 31, 2015 was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
Capital Assets being depreciated:				
Land Improvements	$99,651	$62,213	($70,119)	$91,745
Building and Improvements	482,596	0	0	482,596
Leasehold Improvements	0	331,329	0	331,329
Furniture, Fixtures and Equipment	103,898	5,650	0	109,548
Vehicles	1,354,964	402,651	(205,850)	1,551,765
Total Capital Assets being depreciated	2,041,109	801,843	(275,969)	2,566,983
Less Accumulated Depreciation				
Land Improvements	(90,026)	(8,100)	66,456	(31,670)
Building and Improvements	(217,601)	(12,233)	0	(229,834)
Leasehold Improvements	0	(13,253)	0	(13,253)
Furniture, Fixtures and Equipment	(87,509)	(4,643)	0	(92,152)
Vehicles	(617,969)	(217,155)	205,850	(629,274)
Total Accumulated Depreciation	(1,013,105)	(255,384)	272,306	(996,183)
Total Capital Assets being Depreciated, net	$1,028,004	$546,459	($3,663)	$1,570,800

Note 11 – Employee Benefits

Insurance Benefits

The District provides medical/surgical insurance, prescription drug, vision, life and dental insurance through the Stark County Schools Council of Governments to all eligible employees. Employees have the option of choosing a traditional comprehensive plan with 80 percent co-payment of major medical expenses after deductibles or a P.P.O. plan with a 90 percent co-pay of major medical expenses after deductibles.

Note 12 – Long-Term Obligations

A schedule of changes in bonds and other long-term obligations of the District during 2016 follows:

	Principal Outstanding 12/31/2015	Additions	Deletions	Principal Outstanding 12/31/2016	Amounts Due in One Year
Long-Term Obligations:					
OPERS Net Pension Liability	$485,701	$345,200	$0	$830,901	$0
Compensated Absences	28,799	35,626	(21,827)	42,598	23,737
Total Long-Term Obligations	$514,500	$380,826	($21,827)	$873,499	$23,737

Note – 13 Pending Litigation

The District is currently the defendant in a lawsuit. This matter arises from a motor vehicle accident involving a District employee, in the scope of his or her employment. The potential amount of the lawsuit is approximately $380,000 to $440,000, but the plaintiffs have discussed a settlement closer to $1,000,000. The outcome of this lawsuit is expected not to be in favor of the District. Regardless of the outcome of the litigation, the District's liability insurance policy should cover any losses, with the exception of a $1,000 deductible, as well as the prospect of higher insurance premiums in the future.

Note 14 – Subsequent Event

On September 2, 2016, the District authorized to design, obtain quotes, and pave the Stark County Garage parking lot in an amount not to exceed $176,000. John Patrick Picard Architect Inc. was retained by the District for all architectural services, including schematic design, bid tabulation documents, and administration and inspection services. All bids were received on April 5, 2017, and the project was awarded on April 17, 2017. Once the paving is complete, the District anticipates amending its current lease agreement with the Stark County Board of Commissioners for an additional 15 years for the garage parking lot paving in lieu of monthly rental payments. That arrangement is consistent with both existing Stark and Wayne County Garage lease agreements whose terms were to construct improvements and partially fund construction up to $100,000 in lieu of monthly rental payments for 10 years as well as the Stark County Garage Upgrade & Expansion project leasehold improvements of $331,329 which extended the Stark County Garage lease for an additional twenty-five (25) years.

Stark-Tuscarawas-Wayne Joint Solid Waste Management District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Plan

*Last Three Years (1) **

	2016	2015	2014
District's Proportion of the Net Pension Liability	0.004797%	0.004027%	0.004027%
District's Proportionate Share of the Net Pension Liability	$830,901	$485,701	$474,731
District's Covered Payroll	$597,064	$493,742	$494,300
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.16%	98.37%	96.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the District's measurement date, which is the prior year end.

Stark-Tuscarawas-Wayne Joint Solid Waste Management District

Required Supplementary Information

Schedule of District Contributions

Ohio Public Employees Retirement System - Traditional Plan

Last Four Years (1)

	2016	2015	2014	2013
Contractually Required Contribution	$72,257	$71,648	$59,249	$64,259
Contributions in Relation to the Contractually Required Contribution	(72,257)	(71,648)	(59,249)	(64,259)
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered Payroll	$602,142	$597,064	$493,742	$494,300
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to show information for ten years, information prior to 2013 is not available. An additional column will be added each year.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY _GOVERNMENT AUDITING STANDARDS_

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

To the Board of Directors:

We have audited, 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 Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District'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 District'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 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 District'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 District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 1, 2017.

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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E Harris Associates

***Charles E. Harris & Associates, Inc*.**
June 1, 2017

Schedule of Prior Audit Findings

The prior audit report, for the year ending December 31, 2015, reported no material citations or recommendations.

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Dave Yost • Auditor of State

STARK – TUSCARAWAS – WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 14, 2017

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