



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

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying general purpose financial statements of the Stark-Tuscarawas-Wayne Joint Solid Waste District, Tuscarawas County, Ohio, (the District) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose 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, Ohio, as of December 31, 2002, and the results of its operations and the cash flows of its enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 11, 2003

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

**BALANCE SHEET - ALL FUND TYPES
AS OF DECEMBER 31, 2002**

	<u>Enterprise Fund</u>	<u>General Fund</u>	<u>Totals (Memorandum Only)</u>
ASSETS			
Cash and cash equivalents	\$ 1,200,974	\$ 2,152,045	\$ 3,353,019
Investments	4,947,694		4,947,694
Tipping fees receivable	427,360		427,360
Unused grants receivable	286,404		286,404
Interest receivable	42,250		42,250
Due from Enterprise Fund		234,111	234,111
Property, plant and equipment (net of accumulated depreciation)	<u>483,424</u>		<u>483,424</u>
Total Assets	<u><u>\$ 7,388,106</u></u>	<u><u>\$ 2,386,156</u></u>	<u><u>\$ 9,774,262</u></u>
 LIABILITIES, FUND EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts Payable	\$ 724,665		\$ 724,665
Accrued Wages	5,459		5,459
Compensated Absences	75,421		75,421
Due to General Fund	<u>234,111</u>		<u>234,111</u>
Total Liabilities	<u>1,039,656</u>		<u>1,039,656</u>
 FUND EQUITY AND OTHER CREDITS			
Retained Earnings: Unreserved Fund Balance	6,348,450		6,348,450
Unreserved-Undesignated		<u>\$ 2,386,156</u>	<u>2,386,156</u>
Total Fund Equity and Other Credits	<u>6,348,450</u>	<u>2,386,156</u>	<u>8,734,606</u>
TOTAL LIABILITIES, RETAINED EARNINGS AND FUND BALANCE	<u><u>\$ 7,388,106</u></u>	<u><u>\$ 2,386,156</u></u>	<u><u>\$ 9,774,262</u></u>

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ENTERPRISE FUND**

FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise Fund
OPERATING REVENUES	
Tipping fees	
Inside district	\$ 885,050
Outside district	3,125,730
Outside state	439,338
Grant revenue	25,000
 Total operating revenues	 4,475,118
OPERATING EXPENSES	
Salaries	141,736
Employee benefits and payroll taxes	25,949
Financial assistance to city/county Boards of Health	498,006
Recycling and composting grants	934,374
Appliance, battery and oil collections	937,489
Road repair grants and interchange studies	1,876,644
County Sheriff's grants	452,486
Education grants	368,939
District programs	1,270,618
Landfill and tire clean-ups	15,835
Professional fees	343,095
Office supplies	8,243
Telephone	8,401
Utilities	3,916
Postage and meter	71,659
Printing and brochures	18,939
Employee travel and expenses	11,458
Advertising	174
Cleaning and maintenance	12,140
Dues and subscriptions	9,045
Seminars and public education	2,325
Insurance	41,179
Depreciation	28,344
Monitor groups	35,375
Miscellaneous	4,420
 Total Disbursements	 7,120,789
 Net Loss	 (2,645,671)
RETAINED EARNINGS, BEGINNING OF YEAR	8,994,121
RETAINED EARNINGS, END OF YEAR	\$ 6,348,450

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

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>General Fund</u>
REVENUES	
Interest income, net of bond premium amortization	\$ 285,375
FUND BALANCE, BEGINNING OF YEAR	<u>2,100,781</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,386,156</u>

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

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

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Loss	\$ (2,645,671)
Noncash items included in excess (deficiency) of revenues over expenses	
Depreciation	28,344
Amortization of bond premium	42,030
Changes in assets and liabilities	
Landfill fees receivable	(83,127)
Unused grants receivable	(180,557)
Interest receivable	12,905
Accounts payable	316,257
Accrued wages	317
Compensated absences	7,656
Due to General Fund	40,423
	<u>40,423</u>
Net Cash Used in Operating Activities	<u>(2,461,423)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Maturity of investments	2,481,568
Purchase of investments	(2,492,381)
Purchase of property and equipment	(2,897)
	<u>(2,897)</u>
Net Cash Used in Investing Activities	<u>(13,710)</u>
Decrease in Cash and Cash Equivalents	(2,475,133)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,676,107</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,200,974</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14, the District's financial statements include all funds and activities over which the District's Board of Directors and Executive Director are financially accountable.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Presentation

The District's financial statements are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets and other financial resources, together with all related liabilities and residual equity or balances, and changes therein, which are segregate for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District has established the Enterprise Fund to receive landfill fees levied under Divisions (B)(1) to (3) of Section 3734.57 of the Ohio Revised Code. Such fees are to be expended in accordance with the provisions outlined in Section 3734.57 of the Ohio Revised Code. This Fund is a proprietary fund type in which funds account for operations that are organized to be self-supporting through user charges.

Under Section 5705.10 of the Ohio Revised Code, all interest income derived from the Enterprise Fund assets shall be paid directly into the General Fund. Amounts due the General Fund from the Enterprise Fund represent interest earnings not transferred at year end. This Fund is a governmental fund type in which the Fund is charged with all operating costs of the District for which a separate fund has not been established.

C. Basis of Accounting

The Enterprise Fund is accounted for using the accrual basis of accounting, in which revenues are recognized when they are earned, and expenses are recognized when they are incurred. It is the District's policy to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 to the Enterprise Fund that do not conflict with or contradict Government Standards Board pronouncements.

The General Fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both available and measurable rather than when earned, and expenditures are recognized when paid rather than when the liability is incurred.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

The District considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

E. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

2. Enterprise Fund

The District maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the District. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

F. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. Due to minimal activity occurring in the General Fund, the District did not budget for this fund.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

Contrary to Ohio Rev. Code 5705.41(D), the District had expenditures which were not certified by the Executive Director as to the availability of funds, prior to incurring the obligation.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Tipping Fees Receivable

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

H. Property, Plant and Equipment

The District maintains a capitalization threshold of \$500. Property and equipment is stated at cost less accumulated depreciation. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are generally capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Depreciation of property and equipment is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	40 years
Land Improvements	19 years
Vehicles	5 years
Furniture and Fixtures	5 years

I. Investments

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

J. Vacation and Sick Leave

District employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

K. Pensions

The provision for pension cost is recorded on an accrual basis, and the District's policy is to fund pension costs as they accrue.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the District, these revenues are landfill fees and operating grants. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District.

M. Income Taxes

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation.

O. Use of Estimates

The preparation of financial statements (Enterprise Fund) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Equity in Pooled Cash and Cash Equivalents." Statutes require the classification of monies held by the District into three categories:

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the District's deposits was \$471,193 and the bank balance was \$432,808. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$332,808 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: The District's Investments are required to be categorized to give an indication of the custodial credit level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Carrying Amount	Fair Value
U.S. Treasury Note, 4.75%, due 01/31/03	\$ 1,200,779	\$ 1,200,779	\$ 1,201,200
U.S. Treasury Note, 3.875%, due 06/30/03	1,273,948	1,273,948	1,289,153
U.S. Treasury Note, 4.625%, due 02/28/03	1,206,246	1,206,246	1,202,160
U.S. Treasury Note, 3.25%, due 12/31/03	1,266,721	1,266,721	1,285,326
Investment in State Treasurer's Investment Pool (STAR Ohio)		2,881,826	2,881,826
Total Investments		\$ 7,829,520	\$ 7,859,665

The classification of cash and cash equivalents and investments on the Balance Sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 3,353,019	\$ 4,947,694
Investments of the Cash Management Pool: State Treasurer's Investment Pool (STAR Ohio)	(2,881,826)	2,881,826
GASB Statement No. 3	\$ 471,193	\$ 7,829,520

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

3. DEFINED BENEFIT PENSION PLANS

Pension Benefit Obligation

The District's full-time employees, participates in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For plan members, the District was required to contribute 8.55 percent of covered salary for 2002. Contributions are authorized by State statute. The contribution rates are determined actuarially. The District's total covered payroll for the years ended December 31, 2002, 2001 and 2000 were \$134,082, \$125,564 and \$120,069, respectively. The District's 2002, 2001 and 2000 total contributions were \$22,861, \$22,350 and \$21,372, respectively.

The contribution requirement to fund the pension obligation for the year ended December 31, 2002 was \$22,861, which consisted of \$11,464 from the District and \$11,397 from the employees, which met the required percentages. The contribution requirements were also met in 2001 and 2000.

Post Employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2002 was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care. The District's required contributions to OPERS for the year ended December 31, 2002 was \$6,704.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. FIXED ASSETS

Fixed asset activity for the fiscal year ended December 31, 2002 was as follows:

	Balance 1/1/2002	Additions	Deletions	Balance 12/31/2002
Property & Equipment				
Land improvements	\$99,651	\$0	\$0	\$99,651
Building	462,396	0	0	462,396
Furniture and fixtures	55,214	2,897	0	58,111
Vehicles	40,286	0	0	40,286
Total Property & Equipment	<u>657,547</u>	<u>2,897</u>	<u>0</u>	<u>660,444</u>
Less accumulated depreciation	<u>(148,676)</u>	<u>(28,344)</u>	<u>0</u>	<u>(177,020)</u>
Total Property & Equipment less accumulated depreciation	<u><u>\$508,871</u></u>	<u><u>(\$25,447)</u></u>	<u><u>\$0</u></u>	<u><u>\$483,424</u></u>

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The employees of the District are also provided health insurance, and dental and vision coverage is also available to full-time employees through a private carrier.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Directors:

We have audited the accompanying general purpose financial statements of the Stark-Tuscarawas-Wayne Joint Solid Waste Management District, Tuscarawas County, Ohio, (the District) as of and for the year ended December 31, 2002, and have issued our report thereon dated July 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated July 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated July 11, 2003.

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



Betty Montgomery
Auditor of State

July 11, 2003

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that both at the time that the contract or order was made and at the time he is completing his certification a sufficient sum was appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, (which was increased to \$3,000 as of April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Board upon completion of the “Then and Now” certificate, provided that the expenditure is otherwise lawful.

None of the expenditures tested were certified by the Executive Director (the District’s fiscal officer) prior to incurring the commitment and the two exceptions noted above were not utilized. The District should inform all District employees of the requirements of Ohio Rev. Code Section 5705.41(D) and the importance of certifying the availability of funds. The District should implement the use of so called “Then and Now” Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2002-002

Reportable Condition – Frequent Use of Credit Cards

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. [Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985)]. Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074. The Board of Directors has not adopted a credit card policy which governs the authorization and limits the use of District credit cards.

FINDING NUMBER 2002-002 (Continued)

During 2002, a credit card with a \$5,000 limit was available to each of the District's three employees to make routine supply and gasoline purchases as well as to purchase meals for meetings with limited supervision and oversight. None of the District's credit cards were formerly authorized and approved by the Board. In addition, the District did not request detailed receipts to support the restaurant purchases made on the various credit cards. Further, various purchases made on the credit cards were not supported by an original detailed receipt, rather payment was made using the credit card billing statement. As a result, the risk of District's credit cards being used for personal gain or other unauthorized purposes in increased.

The Board of Directors should consider terminating or limiting the use of credit cards to make routine purchases of supplies. In addition, the Board should adopt a formal written credit card policy, as evidenced in the minute records, which outlines the following:

- Specific number of credit cards to be issued
- Maximum credit card limit to be obtained on each card
- Authorized individuals to make credit card purchases
- Procedures to safeguard credit cards when not in use
- Purchases for which credit cards may be used
- Individuals required to monitor and review credit card purchases for propriety

This will help ensure that District credit cards are not misused and that use is appropriately accounted for.



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STARK-TUSCARAWAS-WAYNE JOINT SOLID WASTE MANAGEMENT DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2003**