

SUMMIT/AKRON SOLID WASTE
MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2002 AND 2001

This audit report is subject to review and acceptance by the Auditor of State's office, and the requirements of ORC 117.25 are not met until the Auditor of State certifies this report. This process takes approximately one month and reports are subject to change if the Auditor of State determines that modification of the report is necessary to comply with required accounting or auditing standards.



**Auditor of State
Betty Montgomery**

Board of Trustees
Summit/Akron Solid Waste Management Authority

We have reviewed the Independent Auditor's Report of the Summit/Akron Solid Waste Management Authority, Summit County, prepared by Watson Rice & Co. for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 18, 2003

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SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Summit/Akron Solid Waste Management Authority
12 East Exchange Street – 3rd Floor
Akron, Ohio 44308

We have audited the modified cash basis financial statements of the Summit/Akron Solid Waste Management Authority (“the Authority”) as of December 31, 2002 and 2001. These financial statements are the responsibility of the Authority’s management. It is our responsibility to express an opinion on these financial statements based on our audits.

We have conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Authority prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and retained earnings – modified cash basis of the Summit/Akron Solid Waste Management Authority as of December 31, 2002 and 2001, and the related statements of cash receipts, disbursements and changes in retained earnings – modified cash basis, the statements of cash flows – modified cash basis and the statements of cash receipts, disbursements, and encumbrances – budget and actual – modified cash basis for the years then ended on the basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2003 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 audits.

Watson Rice & Co.

Watson, Rice & Company
June 9, 2003

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF ASSETS, LIABILITIES, AND RETAINED EARNINGS - MODIFIED
CASH BASIS AS OF DECEMBER 31, 2002 AND 2001

ASSETS	ENTERPRISE FUND	
	December 31, 2002	December 31, 2001
CURRENT ASSETS:		
Cash	\$15,351	\$797
Investments	620,521	682,121
Recycle Ohio Grant Receivable	22,931	21,155
TOTAL CURRENT ASSETS	658,803	704,073
FIXED ASSETS:		
Land and Land Improvements	176,201	176,201
Building and Improvements	228,814	228,814
Vehicles	24,018	29,143
Equipment	107,776	106,124
Furniture and Fixtures	25,209	25,209
Leasehold Improvements	17,610	17,610
Web Site	3,850	3,850
Work in Process	6,668	
TOTAL FIXED ASSETS	590,146	586,951
Less Accumulated Depreciation	(165,431)	(138,743)
NET FIXED ASSETS	424,715	448,208
OTHER ASSETS:		
Deposits	566	566
TOTAL ASSETS	\$1,084,084	\$1,152,847
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES:		
Withholdings Due Other Governments	\$352	\$403
RETAINED EARNINGS:		
Retained Earnings	923,871	992,583
Contributed Capital	159,861	159,861
TOTAL LIABILITIES AND RETAINED EARNINGS	\$1,084,084	\$1,152,847

The accompanying footnotes are an integral part of these financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN RETAINED EARNINGS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2002 AND 2001

	ENTERPRISE FUND	
	December 31, 2002	December 31, 2001
OPERATING REVENUES:		
Generation Fees	\$1,508,565	\$1,452,792
Recycle Ohio Grant	135,910	106,055
Household Hazardous Waste Contributions and Tire Fees	7,501	10,169
Miscellaneous	3,311	5,774
	1,655,287	1,574,790
OPERATING EXPENSES:		
Household Hazardous Waste Recycling Center Expenses	\$613,803	\$498,377
Health Department Contracts	344,787	260,342
Personnel - Salaries and Benefits	309,063	300,522
Recycle Ohio Grant	175,809	133,390
Occupancy	46,212	49,742
Office	22,844	20,814
Professional	99,156	82,582
Depreciation	31,813	32,248
Vehicle	5,617	2,643
Newsletter	4,852	7,008
Brochures	2,878	7,549
Postage	2,531	
Directors and Officers Insurance	5,070	3,150
Advertising & Promotion	7,480	2,882
Miscellaneous	2,213	
	1,674,128	1,401,249
OPERATING INCOME (LOSS)	(18,841)	173,541
NONOPERATING REVENUE (EXPENSES):		
SASWMA Grants	(42,909)	(92,417)
Reduce, Reuse, Recycle Programs	(20,663)	(38,847)
Ohio Water Development Authority (OWDA) Grant Receipts		2,633
Ohio Water Development Authority (OWDA) Grant Expenditures		(2,633)
Ohio Department of Development (ODOD) Grant Receipts		237,621
Ohio Department of Development (ODOD) Grant Expenditures		(237,621)
Ohio Department of Natural Resources (ODNR) Grant Receipts	310,800	100,000
Ohio Department of Natural Resources (ODNR) Grant Expenditures	(310,800)	(100,000)
Interest Income	13,701	32,160
Loss on Disposal of Fixed Assets		(182)
	(49,871)	(99,286)
NET INCOME (LOSS)	(68,712)	74,255
RETAINED EARNINGS, BEGINNING OF THE YEAR	992,583	918,328
RETAINED EARNINGS, END OF THE YEAR	\$923,871	\$992,583

The accompanying footnotes are an integral part of these financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2002 AND 2001

ENTERPRISE FUND

	December 31, 2002	December 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	(\$18,841)	\$173,541
Adjustments to Reconcile Operating Income to Net Cash provided By Operations:		
Loss on Disposal of Fixed Assets		182
Depreciation	31,813	32,248
Increase (Decrease) in Current Assets :		
Recycle Ohio Grant Receivable	(1,776)	(21,155)
OWDA Grant Receivable		4,237
Summit County Health District Grant Receivable		9,430
Increase (Decrease) in Current Liabilities		
Withholdings Due To Others	(51)	(307)
Net Cash Provided By Operating Activities	11,145	198,176
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net Nonoperating Expense	(49,871)	(99,286)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments For Capital Acquisitions	(8,320)	(57,591)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (Increase)Decrease in Investments	61,600	(44,060)
NET INCREASE (DECREASE) IN CASH	14,554	(2,761)
CASH AT BEGINNING OF YEAR	797	3,558
CASH AT END OF YEAR	\$15,351	\$797

The accompanying footnotes are an integral part of these financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND ENCUMBRANCES - BUDGET AND ACTUAL - MODIFIED
CASH BASIS AS OF DECEMBER 31,2002

ENTERPRISE FUND

	2001 ENCUMBRANCES	2002 CASH BASIS BUDGET	TOTAL BUDGET	2002 CASH BASIS ACTUAL	2002 ENCUMBRANCES	TOTAL MEMORANDUM ONLY	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES:							
Generation Fees		\$1,450,000	\$1,450,000	\$1,508,565		\$1,508,565	\$58,565
Recycle Ohio Grant		134,425	134,425	112,980		112,980	(21,445)
Household Hazardous Waste Contributions and Tire Fees		11,000	11,000	7,501		7,501	(3,499)
Miscellaneous			0	3,311		3,311	3,311
Total Operating Revenues	0	1,595,425	1,595,425	1,632,357	0	1,632,357	36,932
OPERATING EXPENSES:							
Household Hazardous Waste Recycling Center Expenses	537	513,850	514,387	613,803		613,803	(99,416)
Health Department Contracts	59,941	319,172	379,113	344,787	27,789	372,576	6,537
Personnel - Salaries & Benefits		311,814	311,814	309,063		309,063	2,751
Recycle Ohio Grant	330	163,384	163,714	175,809		175,809	(12,095)
Occupancy		55,469	55,469	46,212		46,212	9,257
Office	2,287	48,336	50,623	27,588	14,498	42,086	8,537
Professional	670	109,200	109,870	99,156	2,541	101,697	8,173
Depreciation			0	31,813		31,813	(31,813)
Vehicle		6,500	6,500	5,617		5,617	883
Newsletter		7,500	7,500	12,332		12,332	(4,832)
Brochures/Promotions		6,400	6,400	2,878		2,878	3,522
Directors and Officers Insurance		5,800	5,800	5,070		5,070	730
Total Operating Expenses	63,765	1,547,425	1,611,190	1,674,128	44,828	1,718,956	(107,766)
OPERATING INCOME (LOSS)	(63,765)	48,000	(15,765)	(41,771)	(44,828)	(86,599)	(70,834)
NONOPERATING REVENUE (EXPENSES):							
SASWMA Grants	(21,468)	(40,000)	(61,468)	(42,909)		(42,909)	18,559
Reduce, Reuse, Recycle Programs	(525)	(23,500)	(24,025)	(20,663)	(53,250)	(73,913)	(49,888)
ODNR Grant Expenditures			0	310,800		310,800	(310,800)
ODNR Grant Revenue			0	(310,800)		(310,800)	310,800
Interest Income		15,500	15,500	13,701		13,701	(1,799)
Total Net Nonoperating Revenues (Expenses)	(21,993)	(48,000)	(69,993)	(49,871)	(53,250)	(103,121)	(33,128)
NET INCOME (LOSS)	(\$85,758)	\$0	(\$85,758)	(\$91,642)	(\$98,078)	(\$189,720)	(\$103,962)

The accompanying footnotes are an integral part of these financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

The Authority is a political subdivision created by the citizens of Summit County. The concept of such an entity was created by the State of Ohio. The Authority was established for the purpose of managing the flow of solid waste in, through, and out of the entire area of Summit County. The Authority operates under a 13 member Board of Trustees which oversees and governs its operations.

In accordance with the Statements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 14, *The Financial Reporting Entity*, the Authority's financial statements include all funds and activities over which the Authority's Board of Trustees and Executive Director exercise primary oversight responsibility. Oversight responsibility was evaluated on the basis of financial interdependency, selection of governing board, contracting authority, designation of management and the ability to influence operations.

Based on the foregoing criteria, the financial statements only include the activities of the Authority.

b) Basis of Presentation

The Authority'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 recording cash and other financial resources, together with all related liabilities and residual equity or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Enterprise Fund accounts for activities that are financed by generation fees, interest income, and grants. The measurement focus is based upon determination of net income, financial position, and cash flows.

Effective September 1, 1998, the Authority adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and all Agency Fund assets were transferred to a trust held by the Ohio Public Employees Deferred Compensation Program. Accordingly the assets and related liabilities are not recorded on the Authority's balance sheet at December 31, 2002 and 2001.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

c) Basis of Accounting

The accompanying financial statements of the Authority are prepared on the modified cash basis of accounting. Assets and liabilities are recorded and revenues and expenses are recognized on the cash-basis, modified for the capitalization of fixed assets and their depreciation and grant receivables and related accrued revenues. Except for the noted modification, this practice differs from generally accepted accounting principles in that revenues and the related assets are recognized when received rather than when earned; expenses or expenditures are recognized when paid rather than when a liability is incurred.

d) Budgetary Data

The Authority adopts an annual budget which is approved by its Board of Trustees. The budget includes estimates for all anticipated sources of revenue and anticipated expenses or expenditures for the year. The budgetary process may not provide for grants, which are received during the year. The budget is prepared on the cash basis. The Authority's budgetary process does recognize encumbrances for expenses incurred and approved on the current year budget but not paid by year end.

e) Cash and Cash Equivalents

The Enterprise Fund considers all cash and investments with a maturity of three months or less when deposited or purchased to be cash and cash equivalents.

f) Investments

Investments are stated at cost, which approximates market.

g) Fixed Assets

Fixed assets are stated at historical cost. Depreciation is provided on a straight-line basis over the assets' estimated useful lives. The estimated useful lives range from 5 to 40 years.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

h) Use of Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

2. DEPOSITS AND INVESTMENTS

The investment and deposit of monies are governed by provisions of the Ohio Revised Code and the Board of Trustee's Finance Committee. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The provisions also permit the Authority to invest its money in certificates of deposit, savings accounts, money market accounts, the State Treasury Asset Reserve of Ohio (STAROhio) and obligations of the United States Treasury or certain agencies thereof. The Authority may also enter into Repurchase Agreements with any eligible depository for a period not exceeding 30 days.

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

During 2002 and 2001, the Authority complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made. The Authority was also in compliance with applicable statutes pertaining to the public deposits and investments.

Deposits

At December 31, 2002, the carrying amount of the Authority's deposits was \$15,351 and the bank balance was \$83,105. The difference between the carrying amount and bank balance were outstanding checks and deposits in transit. The entire balance was covered by federal depository insurance.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(CONTINUED)

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Authority's investments at December 31, 2002 consisted of the following:

	<u>Carrying Value</u>	<u>Market</u>
Uncategorized Investments:		
STAR Ohio	\$620,521	\$620,521

The Authority's investments at December 31, 2001, consisted of the following:

	<u>Carrying Value</u>	<u>Market</u>
Uncategorized Investments:		
STAR Ohio	\$682,121	\$682,121

3. COMPENSATED ABSENCES PAYABLE

Employees accrue vacation hours as hours worked. Unused vacation cannot be carried over; it must be used in the calendar year earned.

The Authority's sick leave policy requires all leave to be supported by a letter or other medical support unless it is related to a death in the immediate family. Employees are allowed 4.62 hours of sick leave per 80 hours worked or 120 hours per year. The hours may be carried over but cannot be used as early retirement or time off. The policy does not provide for paying terminated employees for unused sick leave.

Effective in the year ending December 31, 2002, employees may take up to 24 hours of personal leave annually. Personal leave is subtracted from accumulated sick leave balances and may not be carried from one year to the next.

Additionally, full time employees who do not use more than 40 hours of sick leave in the calendar year may elect to transfer up to five sick leave days from their accumulated balance to their Ohio Deferred Compensation account if enrolled. Eligible employees may elect to receive this compensation in cash subject to applicable payroll taxes and withholdings.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(CONTINUED)

4. RETIREMENT BENEFITS

Plan Description

All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”), a cost-sharing, multiple-employer benefit pension plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplemental information. The financial report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 227-6705 or 1-800-222-PERS (7377).

Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their covered payroll to OPERS. For local government units, the employer contribution rate was 13.55, 13.55, 10.84 percent of covered payroll for 2002, 2001, and 2000, respectively, including 5.0 percent in 2002 and 2001 and 4.3 percent in 2000 that it used to fund postretirement, health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount related to postretirement benefits) for the years ended December 31, 2002, 2001 and 2000 were approximately \$22,719, \$23,963 and \$14,199 respectively.

Other Post-Employment Benefits Provided Through OPERS

In addition to the pension benefits described previously, OPERS provides post-employment health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (“OPEB”) and is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(CONTINUED)

4. RETIREMENT BENEFITS – (CONTINUED)

Other Post-Employment Benefits Provided Through OPERS (Continued)

OPEB's are financed through employer contributions and investment earnings thereon. The assumptions and calculations noted in the following paragraphs below are based on OPERS' latest actuarial review performed as of December 31, 2001. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB's. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value.

Under the approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment return assumption rate for 2001 was 8.00 percent. An annual increase of 4.00 percent compounded annually is the base portion of the individual pay increase assumption.

This assumes no change in the number of active employees. Additionally, annual pay increases over and above the 4.00 percent base increase were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase 4.00 percent annually.

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The Authority's contributions for post-employment benefits to OPERS for the years ended December 31, 2002, 2001, and 2000 were approximately \$13,499, \$14,237, and \$6,601 respectively, equal to 100 percent of the contributions for each year.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001 (latest information available) was \$11.6 billion. The actuarial liability and the unfunded accrued liability, based on the actuarial costs method used, were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Retirement Board adopted the Health Care "Choice Plan" in its continuing effort to respond to the rise in the cost of health care. The Choice Plan will be offered to all persons newly hired under OPERS after January 1, 2002 with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from 10 to 30 years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility for the present plan.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(CONTINUED)

4. RETIREMENT BENEFITS – (CONTINUED)

Other Post-Employment Benefits Provided Through OPERS (Continued)

The benefit recipient will be free to select the option that best meets these needs. Recipients will find health care costs in excess of their monthly health care benefits. The Plan will also offer a spending account feature enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

5. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan, Ohio Public Employees Deferred Compensation Program, created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The deferred wages and any earned income are not subject to taxes until actually received by the employees.

As described in Note 1, all plan assets and income were transferred to a trust held by the Board of the Ohio Public Employees Deferred Compensation Program. The plan assets and income are held for the exclusive benefit of eligible employees and their beneficiaries. All assets whenever contributed to the plan are assigned to the trust established by the Board.

6. OPERATING LEASE

The Authority leases its facility under a five year operating lease agreement. The current lease term is from June 1, 2002 to April 30, 2007 and requires monthly lease payments plus a monthly fee for parking, janitorial services, and heating.

Monthly base rent and annual base rent for the period of the leases are as follows:

<u>Term</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>
06/01/02–5/31/03	\$2,831	\$33,975
06/01/03–5/31/05	2,988	35,856
06/01/05–4/30/07	3,088	37,056

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(CONTINUED)

6. OPERATING LEASE (CONTINUED)

Copier lease expense for the years ended December 31, 2002 and 2001, was approximately \$3,920 in 2002 and \$4,800 in 2001. Effective January 2002, a new five-year copier lease was entered into requiring monthly payments of \$285.

The Authority renewed its postage-meter lease under a three and one-half-year operating lease agreement. The new lease term is from December 2000 to June 2004 and requires quarterly lease payments of \$549. Postage meter lease expense for the years ended December 31, 2002 and 2001, were \$2,013 for each year respectively.

7. OPTION ON SALE OF REAL ESTATE

The Authority owns a parcel of real estate in Cuyahoga Falls, Ohio. The Household Hazardous Waste Recycling Center is operated at this location. The Carter Jones Lumber Company has an option to purchase the property for one dollar if the Authority closes the Center.

8. REDUCE, REUSE, RECYCLE PROGRAM

The Authority made grants to various municipalities and organizations under its education/awareness grant programs, special community programs, and request for recycling programs. Grants made under these programs consist of the following:

	<u>2002</u>	<u>2001</u>
Reduce, Reuse, Recycle Grants:		
Special Community Programs	\$20,663	\$38,847
SASWMA Grants:		
Barberton Health District		1,258
Barberton Litter Control		1,048
City of Akron		3,999
City of Barberton	7,443	3,500
City of Cuyahoga Falls	915	
City of Green		5,634
City of Macedonia		14,000
City of Twinsburg		5,007
City of Stow		4,416
Crouse Elementary School		2,900
Erwine Middle School		340
Essex School	667	

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(CONTINUED)

8. REDUCE, REUSE, RECYCLE PROGRAM (CONTINUED)

	<u>2002</u>	<u>2001</u>
Keep Akron Beautiful	11,465	8,003
Metro Parks of Summit County		19,485
National Park Service		2,000
Northfield Center Twp.		19,000
Norton Primary School	819	57
Schrop Elementary		590
Information & Education – Bath Township	3,652	495
Twinsburg Recycling Center	4,093	685
Twinsburg Township – Waste Reduction	1,536	
Lucky the Lady Bug	5,859	
City of Twinsburg	3,500	
Summit County	<u>2,960</u>	
Total SASWMA Grants	<u>42,909</u>	<u>92,417</u>
 Total Reduce, Reuse, Recycle Program	 <u>\$63,572</u>	 <u>\$131,264</u>

9. GRANT AGREEMENTS

During 2001, the Authority received \$100,000 from the Ohio Department of Natural Resources (ODNR) for recycling market development. As required by the grant, the Authority entered into a sub-grant agreement with a cooperating enterprise for the purpose of implementing a local recycling market development program.

During 2002, the Authority received \$310,800 from the Ohio Department for Recycling Development (ODNR) for market development. Grants of \$62,800 and \$248,000 were received by the Authority on behalf of Janorpot & Akron Thermal, respectively. In these grants the Authority entered into a subgrant agreement with the aforementioned entities.

The Authority has received \$135,910 and \$106,055 respectively for the years ending December 31, 2002 and 2001 from the State of Ohio for recycling grants. These grants are for education and awareness, recycling and litter prevention activities.

Additionally, the Authority acts as a fiscal agent for the Ohio Department of Development's (ODOD) Scrap Tire Program.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENTAL AUDITING STANDARDS

Board of Trustees
Summit/Akron Solid Waste Management Authority
12 East Exchange Street – 3rd Floor
Akron, Ohio 44308

We have audited the modified cash basis financial statements of the Summit/Akron Solid Waste Management Authority (the Authority) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 9, 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 Authority's 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting, in order to determine our auditing procedures for the purpose of expressing our opinion on the modified cash basis financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters

involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Authority in a separate letter dated June 9, 2003.

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

Watson Rice & Co.

Watson, Rice & Company, Inc.
June 9, 2003



**Auditor of State
Betty Montgomery**

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SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2003**