

**SUMMIT/AKRON SOLID WASTE
MANAGEMENT AUTHORITY
SUMMIT COUNTY, OHIO**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012 AND DECEMBER 31, 2011

Varney, Fink & Associates, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Summit/Akron Solid Waste Management Authority, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 16, 2013

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**SUMMIT/AKRON SOLID WASTE
MANAGEMENT AUTHORITY
SUMMIT COUNTY, OHIO
FOR THE YEAR ENDED
DECEMBER 31, 2012 AND DECEMBER 31, 2011**

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INDEPENDENT AUDITOR'S REPORT

Summit/Akron Solid Waste Management Authority
12 East Exchange Street
Akron, OH 44308

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the of Summit/Akron Solid Waste Management Authority, Summit County, Ohio (the Authority), as of and for the year ended December 31, 2012, and 2011 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of Summit/Akron Solid Waste Management Authority, Summit County, Ohio, as of December 31, 2012 and 2011, and the respective changes in net position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note P to the financial statements, beginning net position on the 2011 financial statements has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 21, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

June 21, 2013

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis (MD&A)
For the Year Ended December 31, 2012

Our discussion and analysis of the Summit/Akron Solid Waste Management Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2012. Please read it in conjunction with the Authority's financial statements, which begin on page 7.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

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

The Statement of Revenues, Expenses, and Changes in Net Positions presents information showing how the Authority's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The Statement of Cash Flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

FINANCIAL HIGHLIGHTS

- The Authority's financial statements are comprised of a single enterprise fund. Enterprise funds are used to account for business-like activities provided to the general public.
- The Authority reports its financial statements in accordance with generally accepted accounting principles and the requirements of GASB #34. During 2012, the Authority adopted GASB #63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. See Note A of the financial statements for a description of the "Measurement Focus/Basis of Accounting" in accordance with GASB #63.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,188,696 (net position). Of this amount, \$1,347,917 may be used to meet the Authority's ongoing obligations to Summit County citizens and to creditors in accordance with the Authority's fiscal policies.

- The Authority's unrestricted net position decreased \$65,683. This net decrease is due to a decrease in unrestricted generation fee revenue of \$146,615 that was offset by decreases in landfill closure fees of \$32,341, professional fee expenses of \$15,700, property costs expenses of \$6,950, and, program education & awareness of \$37,717. Because generation fee revenues were significantly less in 2012, the Authority evaluated their expenses for 2013 and reduced them where possible. Restricted net position increased \$36,562 due to a decrease in the payouts for the Community Recycling Grant Program.
- The Hardy Road Landfill Closure Program was established to assist the City of Akron with funding the closure and post-closure operations of the Hardy Road Landfill. Whatever dollar amount is collected in one year is paid out in the following year and recorded as an inter-governmental liability at December 31, 2012.

The Community Recycling Grant Program was established to provide grants to Summit County communities that are helping the Authority reach its State Plan goal by providing 90% recycling access to residents in Summit County. Not all communities in Summit County participate in this program; therefore, they do not receive grant monies. During 2012, the Authority also used these dollars to open and operate community recycling drop-offs in various locations in Summit County; for food recovery contracts; and, various recycling and education awareness programs. All of these community drop-off days were hugely successful.

- The Authority incurred a net loss for 2012 whereby expenses exceeded their revenues by \$38,260.
- The Authority's revenues decreased \$62,071 (or 2.5 percent) and expenses increased \$28,981 (or 1.2 percent). The net decrease in revenue was due to a decrease in generation fees of \$261,813 offset by an increase in grant income of \$195,525 and small increases in TV and tire fees and miscellaneous income of \$4,519. The net increase in expenses was due to an increase in reduce, reuse, recycle programs; grants; office and equipment; vehicles and travel expense; and, advertising, promotion and education. Those increases in expenses were offset by decreases in the community recycling grants and programs; landfill closure expenses; the recycling center; personnel costs; occupancy; professional fees; and depreciation.

FINANCIAL POSITION

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

	2012	2011	2010
ASSETS:			
Current assets—unrestricted	\$ 2,030,069	\$ 2,102,995	\$ 1,887,401
Current assets---restricted	614,874	578,312	724,947
Capital assets	225,905	235,044	248,337
Other noncurrent assets	566	566	566
TOTAL ASSETS	\$ 2,871,414	\$ 2,916,917	\$ 2,861,251
LIABILITIES:			
Current liabilities	\$ 651,603	\$ 665,531	\$ 686,701
Noncurrent liabilities	31,115	24,430	-
TOTAL LIABILITIES	682,718	689,961	686,701
NET POSITION:			
Net investment in capital assets	225,905	235,044	248,337
Restricted net position	614,874	578,312	724,947
Unrestricted net position	1,347,917	1,413,600	1,201,266
TOTAL NET POSITION	2,188,696	2,226,956	2,174,550
TOTAL LIABILITIES AND NET POSITION	\$ 2,871,414	\$ 2,916,917	\$ 2,861,251

A portion of the Authority's net position (\$225,905 or 10.3 percent and \$235,044 or 10.6 percent at December 31, 2012 and 2011, respectively, for a net decrease of \$9,139 or 3.9 percent) represents the Authority's investment in their capital assets. These net assets may not be used to meet the Authority's ongoing obligations.

A portion of the Authority's net position (\$614,874 or 28.2 percent and \$578,312 or 26.0 percent at December 31, 2012 and 2011, respectively, for a net increase of \$36,562 or 6.3 percent) represents resources that are subject to restrictions on how they can be used. The restricted net assets are not available for new spending because they have already been committed as follows:

RESTRICTED NET POSITION	2012	2011	2010
Community Recycling Grants Program	\$ <u>614,874</u>	\$ <u>578,312</u>	\$ <u>724,947</u>

The remaining unrestricted net position of \$1,347,917 and \$1,413,600 at December 31, 2012 and 2011, respectively, for a net decrease of \$65,683 (or 4.6 percent) may be used to meet any of the Authority's ongoing obligations. The Authority anticipates these funds will be needed to pay future operational expenditures and to maintain adequate levels of working capital.

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

	2012	2011	2010
Generation fees – operations	\$ 1,253,665	\$ 1,400,280	\$ 1,321,336
Generation fees – landfill closure fund	537,285	600,120	566,287
Generation fees – community recycling grants	447,737	500,100	471,906
Grants revenue	208,380	12,855	237,750
TV and tire fees	3,443	2,919	2,560
Miscellaneous	4,519	826	2,295
TOTAL OPERATING REVENUES	\$ <u>2,455,029</u>	\$ <u>2,517,100</u>	\$ <u>2,602,134</u>

Generation fees consisted of 91.2 percent, 99.3 percent, and 90.6 percent of total operating revenues for 2012, 2011, and 2010 respectively. Of that 91.2, 99.3, and 90.6 percent, 44.0 percent is restricted for the Hardy Road Landfill and the community recycling grants for 2012, 2011, and 2010.

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

	2012	2011	2010
Employee wages and benefits	\$ 370,528	\$ 373,232	\$ 362,067
Purchase of services	1,046,152	767,100	1,177,136
Materials and supplies	70,106	41,519	49,361
Occupancy	41,422	45,322	44,927
Depreciation	9,139	13,293	13,293
Community recycling grants and other programs	411,176	646,735	636,261
Landfill closure expenses	546,257	578,598	591,767
TOTAL OPERATING EXPENSES	\$ <u>2,494,780</u>	\$ <u>2,465,799</u>	\$ <u>2,874,812</u>

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

	2012	2011	2010
Interest income	\$ <u>1,491</u>	\$ <u>1,105</u>	\$ <u>2,233</u>

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

	2012	2011	2010
Total operating revenues	\$ 2,455,029	\$ 2,517,100	\$ 2,602,134
Total operating expenses before depreciation	(2,485,641)	(2,452,506)	(2,861,519)
Operating income/(loss) before depreciation	(30,612)	64,594	(259,385)
Depreciation	(9,139)	(13,293)	(13,293)
Operating income/(loss)	(39,751)	51,301	(272,678)
Nonoperating income/(loss)	1,491	1,105	2,233
Increase/(decrease) in net position	(38,260)	52,406	(270,445)
Net position, beginning of year	2,226,956	2,174,550	2,444,995
NET POSITION, END OF YEAR	\$ 2,188,696	\$ 2,226,956	\$ 2,174,550

- Operating income/(loss) before depreciation decreased \$95,206 between 2012 and 2011. The majority of this decrease is the result of a decrease in solid waste tonnage, resulting in a decrease in generation fees and, an increase in expenses due to an increase in reduce, reuse, recycle programs; grants; office and equipment; vehicles and travel expense; and, advertising, promotion and education. A portion of the increase in expenses was offset by a decrease in community recycling grants and programs; landfill closure expenses; the recycling center; personnel costs; occupancy; professional fees; and depreciation.

CAPITAL ASSETS

The Authority's capital assets as of December 31, 2012 and 2011 totaled \$225,905 and \$235,044 (net of accumulated depreciation), respectively. This investment in capital assets includes land and land improvements, buildings and building improvements, machinery and equipment, a vehicle and furniture and fixtures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Authority's board of trustees considered many factors when setting the calendar year 2013 budget. Generation fees have a direct correlation to economic conditions and consumer spending. During 2012, revenue decreased 2.4% from 2011, the decrease isn't high enough and has not occurred long enough to warrant significant decreases in most line-item allocations.

The objective in the development of the 2013 budget continues to be to lessen the reliance on reserves to finance recycling programs. Therefore, allocations were made with the following points in mind:

- Revenue projections were based on generating and receiving fees for 480,000 ton of trash during the year. This will be the first time estimates are based on generating less than 500,000 tons.
- Proposed expenditures were budgeted to be approximately 26% less than 2012.
- Proposed expenditures for education and programs will be lowered by 16% and 22%, respectively.
- Health Department funding is 5% lower than 2012.

It is expected that conditions and trends that existed for the last 5 years will persist into 2013.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's and grantors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact: **Yolanda Walker, Executive Director at 12 East Exchange Street, 3rd Floor, Akron, OH 44308.**

Summit/Akron Solid Waste Management Authority
 COMPARATIVE STATEMENT OF NET POSITION
 December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 434,301	\$ 292,645
Cash and cash equivalents – unrestricted	1,411,498	1,587,570
Cash and cash equivalents – temporarily restricted	614,874	578,312
Total cash and cash equivalents	2,460,673	2,458,527
Accounts/grants receivable	177,811	215,189
Prepaid expenses	6,459	7,591
TOTAL CURRENT ASSETS	2,644,943	2,681,307
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	225,905	235,044
OTHER ASSETS		
Deposits	566	566
TOTAL NONCURRENT ASSETS	226,471	235,610
TOTAL ASSETS	\$ 2,871,414	\$ 2,916,917
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 95,668	\$ 77,866
Accrued payroll and payroll withholdings	9,679	9,067
Inter-governmental payable	546,256	578,598
TOTAL CURRENT LIABILITIES	651,603	665,531
NONCURRENT LIABILITIES		
Compensated absences	31,115	24,430
TOTAL LIABILITIES	682,718	689,961
NET POSITION		
Net investment in capital assets	225,905	235,044
Restricted for community recycling grants	614,874	578,312
Unrestricted	1,347,917	1,413,600
TOTAL NET POSITION	2,188,696	2,226,956
TOTAL LIABILITIES AND NET POSITION	\$ 2,871,414	\$ 2,916,917

See accompanying notes to the financial statements.

Summit/Akron Solid Waste Management Authority
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION
 For the Year Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Generation fees	\$ 2,238,687	\$ 2,500,500
Grant revenue	208,380	12,855
TV and tire fees	3,443	2,919
Miscellaneous	4,519	826
TOTAL OPERATING REVENUES	2,455,029	2,517,100
OPERATING EXPENSES		
Community recycling grants and programs	411,176	646,735
Landfill closure expenses	546,257	578,598
Household hazardous waste recycling center	259,467	357,278
Health department contracts	168,000	168,000
Reduce, reuse, recycle programs	267,628	72,242
ODNR market development grant	208,380	12,856
Personnel – salaries and benefits	370,528	373,232
Occupancy	41,422	45,322
Office and equipment	32,272	30,566
Professional fees	142,677	156,724
Depreciation	9,139	13,293
Vehicles and travel expense	11,030	4,833
Advertising, promotion and education	26,804	6,120
TOTAL OPERATING EXPENSES	2,494,780	2,465,799
OPERATING INCOME/(LOSS)	(39,751)	51,301
NONOPERATING REVENUES:		
Interest income	1,491	1,105
TOTAL NONOPERATING REVENUES	1,491	1,105
CHANGE IN NET POSITION	(38,260)	52,406
NET POSITION, BEGINNING OF YEAR	2,226,956	2,174,550
NET POSITION, END OF YEAR	\$ 2,188,696	\$ 2,226,956

See accompanying notes to the financial statements.

Summit/Akron Solid Waste Management Authority
COMPARATIVE STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Generation fee receipts	\$ 2,243,723	\$ 2,397,656
Grants income	208,380	50,355
TV and tire fees	3,443	2,919
Other cash received	4,519	826
	2,460,065	2,451,756
Health Department contracts	(168,000)	(126,000)
Payments to suppliers	(818,077)	(890,378)
Payments to employees	(363,231)	(348,889)
Other payments	(1,110,102)	(1,067,553)
	(2,459,410)	(2,432,820)
NET CASH PROVIDED BY OPERATING ACTIVITIES	655	18,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,491	1,105
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,491	1,105
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,146	20,041
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,458,527	2,438,486
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,460,673	\$ 2,458,527
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income/(loss)	\$ (39,751)	\$ 51,301
Adjustments to reconcile increase in net position to net cash provided by/(used by) operating activities		
Depreciation	9,139	13,293
Change in assets and liabilities:		
Accounts/grants receivable	37,378	(52,175)
Prepaid expenses	1,132	3,257
Accounts payable	17,802	43,586
Grants payable	-	(51,500)
Compensated absences payable	6,685	24,430
Accrued payroll and payroll withholdings	612	(87)
Inter-governmental payable	(32,342)	(13,169)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 655	\$ 18,936

See accompanying notes to the financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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

Nature of Activities

Summit/Akron Solid Waste Management Authority (the Authority), a political subdivision of Summit County, was established by the 1988 Ohio Solid Waste Disposal Act (House Bill 592) to develop a long-term solution to the management of solid waste (trash and garbage) in Summit County, Ohio, while also protecting the environment. The Authority supports and implements programs that increase recycling, sustainability, conservation of natural resources, waste minimization and preservation of the environment. The Authority operates under a 13 member Board of Trustees that oversees and governs its operations.

Financial Reporting Entity

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

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

Basis of Presentation

The Authority's financial statements are comprised of a single enterprise fund. Enterprise funds are used to account for business-like activities provided to the general public.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues for the Authority result from generation fees, grants, and miscellaneous income. Operating expenses for the Authority includes the cost of personnel, contracted services, supplies, and, depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus/Basis of Accounting

The Authority's enterprise fund is reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled generation fees which are accrued. Expenses are recognized at the time the liability is incurred.

Reclassifications

Certain accounts in the December 31, 2011 financial statements have been reclassified for comparative purposes to conform to the presentation in the December 31, 2012 financial statements.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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

Measurement Focus/Basis of Accounting (Continued)

The Authority implemented Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" (GASB #63) in 2012. GASB #63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "Elements of Financial Statements". In Concepts Statement No. 4, the GASB defines a deferred outflow of resources as a consumption of net assets by a government that is applicable to a future reporting period; a deferred inflow of resources as an acquisition of net assets by a government that is applicable to a future reporting period; and net position as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the Authority had no deferred outflows or inflows of resources at December 31, 2012, the Authority's implementation of GASB #63 had no material effect on the presentation of its 2012 financial statements.

Budgeted Revenues and Expenses

Expenses may not exceed the Authority's board of trustees approved annual budget plus any amounts encumbered at the end of the prior year, and, consequently estimated resources. The Board approves the annual budget and all subsequent budget amendments. Unencumbered budgetary expenses lapse at year-end. The budget is prepared on the cash basis.

Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) budgeted expenditures when commitments are made. Encumbrances outstanding at year-end are carried forward and need not be re-budgeted.

Cash and Cash Equivalents

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

Receivables

Material receivables consist of all revenues earned at year-end and not yet received. Generation fees accounts receivable and grants receivable compose the majority of the receivables. Based on historical trends no allowance for uncollectible accounts receivable is required.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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

Investments

Investments are stated at fair value.

Capital Assets

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

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

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the statement of financial position. Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for community recycling; and unrestricted net position. Investment in capital assets consists of all capital assets net of accumulated depreciation. Restricted net positions consist of net positions for which limitations have been imposed on their use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Unrestricted net position consists of all other net assets not included in the above categories.

Use of Estimates

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

NOTE B – 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 (STAR Ohio) 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.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

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 2012, 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, 2012, the carrying amount of the Authority's deposits was \$434,301 and the bank balance was \$452,367. The difference between the carrying amount and bank balance were outstanding checks and deposits in transit. All of the December 31, 2012 bank balance was covered by federal depository insurance. Beginning January 1, 2013, the FDIC will insure the Authority's bank balance up to the standard maximum deposit insurance amount of \$250,000.

Unrestricted Investments

The Authority's unrestricted investments at December 31, 2012 and 2011 consisted of the following:

Unrestricted Investments:	Carrying Value:	Fair Value:
2012 STAR Ohio	\$ 1,411,498	\$ 1,411,498
2011 STAR Ohio	\$ 1,587,570	\$ 1,587,570

Restricted Investments

During 2004, the Authority increased its generation fees for the purpose of administering two new programs (see Note K). The Authority deposits these fees in the STAR Ohio account and holds them until the grants are awarded in the following year. At December 31, 2012 and 2011 the Authority reflected its commitment to these programs as restricted investments and liabilities or restricted net position.

The Authority's restricted investments at December 31, 2012 and 2011 is as follows:

<u>Restricted Investments:</u>	<u>Carrying Value</u>	<u>Fair Value</u>
2012 STAR Ohio	\$ 614,874	\$ 614,874
2011 STAR Ohio	\$ 578,312	\$ 578,312

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2012, the Authority had the following investments and maturities.

Investment Type	Fair Value	Credit Rating (*)	Investment Maturities (In Years)		
			<1	1-2	2-3
STAR Ohio	\$ 2,026,372	AAA	\$ 2,026,372	\$ 0	\$ 0

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

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

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

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

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

NOTE C – COMPENSATED ABSENCES PAYABLE

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

The Authority's sick leave policy requires all leave of 3 consecutive working days or longer to be supported by a certificate from a licensed physician stating that the employee was under said physician's care. Sick leave of less than 3 days is submitted and approved using the prescribed Authority sick leave form.

All full-time employees earn 4.6 hours of sick leave per 80 hours of service or 120 hours per year. Part-time employees shall receive credit pro-rated based on hours worked. The Authority changed its policy on sick leave payouts upon retirement. Employees who retire in accordance with any retirement plan offered by the State of Ohio or who die shall be paid one-half of the value of their accrued but unused sick leave credit at the time of retirement or death; however the maximum accrual for which the employee shall be paid shall not exceed forty-five days. To qualify for such payment, employees shall have had prior to the date of retirement or death, ten or more years of combined service with the Authority, the State, or any of its political subdivisions and met all retirement criteria as established by the Public Employees Retirement System of the State of Ohio.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE C – COMPENSATED ABSENCES PAYABLE (Continued)

The effects of this change resulted in a liability of \$31,115 and \$24,430 for compensated absences as of December 31, 2012 and 2011, respectively, and an expense in Personnel-salaries and Benefits of \$6,685 and \$24,430 for the years ended December 31, 2012 and 2011, respectively. Sick leave benefits are accrued as a liability using the vesting method.

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

NOTE D – CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Description	2012 Beginning Balance	2012 Additions	2012 Disposals/ Deletions	2012 Ending Balance
Total capital assets not being depreciated				
Land	\$ 18,748	\$ -	\$ -	\$ 18,748
Capital assets being depreciated				
Land Improvements	131,692	-	-	131,692
Building Improvements	217,525	-	-	217,525
Vehicles	19,509	-	-	19,509
Equipment	67,675	-	-	67,675
Leasehold Improvements	11,529	-	-	11,529
Total capital assets being depreciated	447,930	-	-	447,930
Less: Accumulated depreciation	(231,634)	(9,139)	-	(240,773)
Total capital assets being depreciated, net	216,296	(9,139)	-	207,157
Net Capital Assets	\$ 235,044	\$ (9,139)	\$ -	\$ 225,905

NOTE E – RETIREMENT BENEFITS

Plan Description - Pension

All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”). OPERS administers three separate pension plans described below:

- (1) The Traditional Pension Plan (TP) – a cost sharing, multiple-employer defined benefit pension plan.
- (2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year.) Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE E – RETIREMENT BENEFITS (continued)

(3) The Combined Plan (CO) – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.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 - Pension

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. Members in the local divisions, such as the Authority, may participate in all three plans.

The 2012 member contribution rate was 10.0% of covered payroll for members in local classifications. The 2012 employer contribution rate for local employers was 14.0% of covered payroll. The Authority's total contributions to OPERS for pension benefits (excluding the amount related to post-retirement benefits) for the years ended December 31, 2012, 2011, and 2010 were approximately \$17,827, \$17,065, and \$16,936, respectively.

Plan Description - Post-Employment Benefits Other Than Pension Provided Through OPERS

In addition to the pension benefits described previously, OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB plan is provided in Chapter 145 of the Ohio Revised Code.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE E – RETIREMENT BENEFITS (continued)

Funding Policy - Post-Employment Benefits Other Than Pension Provided Through OPERS

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, local employers, such as the Authority, contributed at a rate of 14.0% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portions of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Authority's contributions for post-employment benefits to OPERS for the year ended December 31, 2012, 2011, and 2010, were approximately \$17,669, \$17,084, and \$16,824, respectively.

The OPERS Board of Trustees adopted changes to the health care plan on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE F – DEFERRED COMPENSATION PLAN

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

NOTE G – OPERATING LEASE

Effective August 1, 2012, the Authority signed a new lease agreement for its facilities for a period of two years. The Authority also leases a copier and postage meter under a 39-month and a 66-month operating lease, respectively. The facility lease requires monthly rent of \$2,390 and will expire in July 2014. The Authority has the option to renew the facilities agreement for another two-year period expiring in July 2016 for a monthly rent of \$2,590. The copier lease requires monthly rent of \$326 with a 3% increase per year and will expire in May 2013. The postage meter lease requires monthly rent of \$110 and will expire in October 2014.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

NOTE G – OPERATING LEASE (Continued)

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2012:

Year Ending December 31	Amount
2013	\$ 31,680
2014	17,830
	<u>\$ 49,510</u>

Facility lease expense and office equipment lease expense for the year ended December 31, 2012 was \$40,473 and \$42,734 respectively.

NOTE H – OPTION ON SALE OF REAL ESTATE

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

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTE J – WASTE REDUCTION/RECYCLING GRANTS

The State of Ohio’s Solid Waste Management Plan requires the Authority to implement waste reduction and recycling strategies within Summit County. One of the strategies designated in the Authority’s solid waste plan is to implement a commercial/industrial grant program for the reduction of waste going into landfills. Funds for this grant are exclusively targeted toward recycling and education and awareness activities in the commercial sector of Summit County. Projects are restricted to activities that provide quantitative data in which the effect on waste reduction and recycling can be directly measured or through variables that demonstrate a very high correlation with the amount of waste reduced or recycled. No grants were distributed in 2012 or 2011.

NOTE K – RESTRICTED NET POSITION AND INTER-GOVERNMENTAL LIABILITY

The Authority collects \$5.00 per ton in generation fees for processing solid waste in Summit County. Of this amount, \$2.80 per ton is to be remitted to the Authority to assist in covering operating expenses of the Authority, \$1.20 per ton is to be used to assist the City of Akron with the closure of the Hardy Road landfill and recorded as an inter-governmental liability, and \$1.00 per ton is to be distributed to or on behalf of the communities in Summit County to assist with their recycling programs and is recorded as a restricted net position.

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE L – COMMITMENTS

Effective October 2009, a three-year software subscription was entered into requiring annual payments of \$5,118. The software subscription expense for the years ended December 31, 2012 and 2011 was \$5,118 per year.

NOTE M – CONTINGENCIES

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

NOTE N – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. In order to minimize these components of risk, the Authority has obtained insurance coverage for risk of loss.

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the Authority did not reduce the limits of liability significantly in the current year.

NOTE O - SUBSEQUENT EVENTS

Subsequent events were evaluated by management through June 26, 2013, the date the financial statements were available to be issued.

NOTE P – RESTATEMENT OF NET POSITION

For the year ending December 31, 2012, the Authority determined that the generation fees collected on behalf of the City of Akron (Akron) for Akron's closure of the Hardy Road landfill should be shown as a liability versus a restricted net position as it had been shown in prior years. The effect on both total net position and restricted net position was a decrease of \$546,256 and \$578,598 as of December 31, 2012 and 2011, respectively. Liabilities increased by \$546,256 and \$578,598 as of December 31, 2012 and 2011, respectively. Net position has been restated as follows:

Net Position at December 31, 2010	\$ 2,766,317
Recognition of Liability	(591,767)
Adjusted Net Position at December 31, 2010	\$ <u><u>2,174,550</u></u>

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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***

Summit/Akron Solid Waste Management Authority
12 East Exchange Street
Akron, OH 44308

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards* the financial statements of the Summit/Akron Solid Waste Management Authority, Summit County, (the Authority), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 21, 2013.

Internal Control Over Financial Reporting

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

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

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

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

June 21, 2013



Dave Yost • Auditor of State

SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 26, 2013**