SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2018

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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

We have reviewed the *Independent Auditor's Report* of the Summit/Akron Solid Waste Management Authority, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

August 6, 2019

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SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY
SUMMIT COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Summit/Akron Solid Waste Management Authority, Summit County, Ohio (the Authority), as of and for the years ended December 31, 2018 and 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Summit/Akron Solid Waste Management Authority, Summit County, Ohio, as of December 31, 2018 and 2017 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, during the year ended December 31, 2018, the Authority adopted new guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
June 11, 2019

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, 2018. Please read it in conjunction with the Authority's financial statements, which begin on page 10.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

FINANCIAL HIGHLIGHTS

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

- The Authority reports its financial statements in accordance with generally accepted accounting principles and the requirements of GASB Statement #34. During 2015, the Authority adopted GASB Statement #68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement #27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB #27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB #68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

FINANCIAL HIGHLIGHTS (continued)

In 2018, the Authority adopted GASB Statement #75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB). The Ohio Revised Code limits the Authority's obligation for this liability, if any, to annually required payments.

Under the new standards required by GASB #68 and #75, the net pension/OPEB liability equals the Authority's proportionate share of each plan's collective:

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

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

  In accordance with GASB #68 and #75, the Authority's statements prepared on an accrual basis of accounting include only an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

  As a result of implementing GASB #68 and #75, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension only on the accrual basis of accounting.

  The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $3,083,235 (net position). Of this amount, $2,855,462 may be used to meet the Authority's ongoing obligations to Summit County citizens and to creditors in accordance with the Authority's fiscal policies. However, of the $2,855,462, the Board of Trustees has designated $325,384 for community recycling grants and programs. The beginning net position was impacted by a prior period adjustment due to implementation of GASB #75 by a negative $134,595.

FINANCIAL HIGHLIGHTS (continued)

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

  Because they are restricted by the Board, the Board may at a future date change the purpose of the restriction, therefore, those monies are considered unrestricted. The total unrestricted net position increased $156,429. This net increase is due to an increase in generation fees of $49,245; service revenue of $500; increase in interest income of $32,092; and, a decrease in the following expenses: office and equipment expenses of $8,893; depreciation expense of $691; and education, branding and marketing of $34,637. These decreases in expenses were offset by some increases in expenses such as community recycling grants and programs of $15,254; landfill closure expenses of $14,341; household hazardous waste recycling center expenses of $88,310; reduce, reuse, recycle programs of $1,166; OEPA pass through and other grants expense of $145,000; personnel of $30,871; occupancy expenses of $1,180; professional fee expenses of $10,872; loss on disposal of fixed asset of $7,827; and, vehicles and travel expenses of $8,849.

- The Hardy Road Landfill Closure Program was established to assist the City of Akron with funding the closure and post-closure operations of the Hardy Road Landfill. Whatever dollar amount is collected in one year is paid out in the following year and recorded as an intergovernmental liability at December 31, 2018.

- The community recycling grant program was established to provide grants to Summit County communities that are helping the Authority reach its State EPA Plan goal by providing 90 percent recycling access to residents in Summit County. Not all communities in Summit County participate in this program; therefore, they do not receive grant monies. During 2013, the Authority switched from a bestowment-based approach to a reimbursement-based approach with the Summit County communities. The Authority used these dollars to open and operate community recycling drop-offs in Summit County from January 2012 to July 2013 and to fund countywide document shredding events from May 2013 to June 2015. Beginning in 2013, per the approved Solid Waste Plan, the Authority also funded an extensive countywide education and outreach program to reduce contamination for curbside recycling programs and increase overall waste diversion.

- The Authority incurred a net increase in their net position for 2018 whereby their revenues exceeded their expenses by $127,711.

  The Authority's operating revenues increased $49,672 (or 1.9 percent) and operating expenses increased $279,449 (or 12.4 percent). The net increase in revenue of $49,672 was due to an increase in generation fee revenue of $49,245, an increase in service revenue of $500 and a decrease in miscellaneous revenue of $73. The net increase in expenses was due to increases in community recycling grants and programs expense of $15,254; landfill closure expenses of $14,341; household hazardous waste recycling center expenses of $88,310; reduce, reuse, recycle program of $1,166; OEPA pass through and other grants expense of $145,000; personnel expense of $30,871; occupancy of $1,180; professional fees of $10,872; loss on disposal of fixed assets of $7,827; and, vehicles and travel expense of $8,849. Those increases in expenses were offset by decreases in expenses such as office and equipment of $8,893; depreciation of $691; and, education, branding and marketing expenses of $34,637.

FINANCIAL POSITION

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

		2018		Restated 2017		2016
ASSETS:						
Current assets—unrestricted	$	3,703,150	$	3,573,117	$	2,859,789
Current assets---board restricted		325,384		440,589		585,026
Capital assets		227,773		256,491		278,072
Other noncurrent assets		566		566		566
TOTAL ASSETS	$	4,256,873	$	4,270,763	$	3,723,453
DEFERRED OUTFLOWS OF RESOURCES:						
Pension	$	54,028	$	128,313	$	140,107
OPEB		18,673		2,063		-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	4,329,574	$	4,401,139	$	3,863,560

		2018		2017		2016
LIABILITIES:						
Current liabilities	$	752,919	$	890,623	$	700,982
Noncurrent liabilities		383,212		491,349		390,716
TOTAL LIABILITIES		1,136,131		1,381,972		1,091,698
DEFERRED INFLOWS OF RESOURCES:						
Pension	$	98,430	$	63,643	$	7,139
OPEB		11,778		-		-
NET POSITION:						
Net investment in capital assets		227,773		256,491		278,072
Board-restricted net position		325,384		440,589		585,026
Unrestricted net position		2,530,078		2,258,444		1,901,625
TOTAL NET POSITION		3,083,235		2,955,524		2,764,723
TOTAL LIABILITIES AND NET POSITION	$	4,329,574	$	4,401,139	$	3,863,560

The Authority's investment in their capital assets is represented by the portion of the Authority's net position of $227,773 or 7.4 percent, $256,491 or 8.7 percent, and, $278,072 or 10.1 percent at December 31, 2018, 2017, and, 2016, respectively. The decrease of $28,718 between 2017 and 2018 is the result of depreciation expense of $20,891 and a loss on the disposal of a fixed asset of $7,827; and, the decrease of $21,581 between 2016 and 2017 is the result of depreciation expense of $21,581. This net position may not be used to meet the Authority's ongoing obligations.

A portion of the Authority's net position of $325,384 or 10.6 percent, $440,589 or 14.9 percent and $585,026 or 21.1 percent at December 31, 2018, 2017 and 2016, respectively, represents resources that are subject to board-restrictions on how they can be used. The decreases of $115,205 and $144,437 between 2017 and 2018, and, 2016 and 2017, respectively, are due to an increase in the payouts for community recycling grants and programs.

FINANCIAL POSITION (continued)

The Authority has implemented the accounting standards for pension plans and other postemployment benefits other than pension plans. As a result of implementing the accounting standards for pension and OPEB, the Authority is reporting a significant net pension liability, net OPEB liability and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the Authority is reporting deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. To further explain the impact of these accounting standards on the Authority's net position, additional information is presented below.

	2018	2017
Deferred outflows – pension	$ 54,028	$ 128,313
Deferred outflows – OPEB	18,673	2,063
Deferred inflows – pension	(98,430)	(63,643)
Deferred inflows – OPEB	(11,778)	-
Net pension liability	(193,748)	(328,590)
Net OPEB liability	(158,111)	(136,658)
Impact of GASB #68 and GASB #75 on net position	$ (389,366)	$ (398,514)

The board-restricted net position is currently not available for new spending because they are currently committed by the Board as follows:

	2018	2017	2016
Community recycling grants and programs	$ 325,384	$ 440,589	$ 585,026

The remaining unrestricted net position of $2,530,078, $2,258,444, and, $1,901,625 at December 31, 2018, 2017 and 2016, respectively, may be used to meet any of the Authority's ongoing obligations. The Authority anticipates these funds will be needed to pay future operational expenditures and to maintain adequate levels of working capital.

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

	2018	2017	2016
Generation fees – operations	$ 1,382,598	$ 1,355,021	$ 1,304,107
Generation fees – landfill closure fund	592,542	580,723	558,903
Generation fees – community recycling grants	493,785	483,936	465,753
OEPA pass through grant revenue	125,000	125,000	131,925
Service revenue	4,102	3,602	2,569
Miscellaneous	7	80	1,396
TOTAL OPERATING REVENUES	$ 2,598,034	$ 2,548,362	$ 2,464,653

Generation fees comprised 95.0 percent, 95.0 percent, and 94.5 percent of total operating revenues for 2018, 2017, and 2016, respectively. Of that 95.0, 95.0, and 94.5 percent, 24.0 percent is restricted for the Hardy Road Landfill for 2018, 2017, and 2016. 20.0 percent is board-restricted for community recycling grants and programs.

FINANCIAL POSITION (continued)

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

	2018	2017	2016
Community recycling grants and programs	$ 501,427	$ 486,173	$ 393,906
Landfill closure expenses	598,686	584,345	561,409
Household hazardous waste recycling center	292,764	204,454	199,323
Health department contracts	150,000	150,000	150,000
Reduce, reuse, recycle programs	75,533	74,367	53,924
OEPA pass through and other grants	270,000	125,000	13,850
Personnel – salaries and benefits	337,948	307,077	285,513
Occupancy	36,568	35,388	47,241
Office and equipment	23,031	31,924	29,768
Professional fees	93,854	82,982	107,627
Depreciation	20,891	21,582	14,389
Loss on disposal of fixed asset	7,827	-	-
Vehicles and travel expense	13,056	4,207	5,532
Education, branding and marketing	107,563	142,200	166,996
TOTAL OPERATING EXPENSES	$ 2,529,148	$ 2,249,699	$ 2,029,478

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

	2018	2017	2016
Interest income	$ 58,825	$ 26,733	$ 9,798

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

	2018	2017	2016
Total operating revenues	$ 2,598,034	$ 2,548,362	$ 2,464,653
Total operating expenses before depreciation	(2,508,257)	(2,228,117)	(2,015,089)
Operating income/(loss) before depreciation	89,777	320,245	449,564
Depreciation	(20,891)	(21,582)	(14,389)
Operating income/(loss)	68,886	298,663	435,175
Nonoperating income/(loss)	58,825	26,733	9,798
Increase/(decrease) in net position	127,711	325,396	444,973
Net position, beginning of year	3,090,119	2,764,723	2,319,750
Prior period adjustment	(134,595)	-	-
NET POSITION, END OF YEAR	$ 3,083,235	$ 3,090,119	$ 2,764,723

- Operating income/ (loss) before depreciation decreased $230,468 between 2018 and 2017. This decrease is the result of increases in expenses due to increases in community recycling grants and programs, landfill closure, household hazardous waste recycling center, occupancy, reduce, reuse, recycle programs, OEPA pass through and other grants, personnel, professional fees, vehicles and travel, etc. A portion of the increase in expenses was offset by increases in generation fees, service fees, and decreases in office and equipment expenses and education, branding and marketing expenses.

- Operating income/ (loss) before depreciation decreased $129,319 between 2017 and 2016. This decrease is the result of an increase in expenses due to increases in community recycling grants and programs, landfill closure, household hazardous waste recycling center, reduce, reuse, recycle programs, OEPA pass through and other grants, personnel, and, office and equipment expenses. A portion of the increase in expenses was offset by increases in operating revenues, and, decreases in occupancy expenses, professional fees, vehicle and travel expenses, and, education, branding and marketing expenses.

CAPITAL ASSETS

The Authority's capital assets as of December 31, 2018 and 2017 totaled $227,773 and $256,491, which include land, land improvements, building and building improvements, a vehicle, equipment, and leasehold improvements. See Note D for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

ReWorks and the Finance Committee reviewed various factors when setting the calendar year 2019 budget. Then recommendations were presented to the Board of Trustees for their approval. Historical factors and waste generation information were reviewed and considered.

Factors affect the amount of waste generated and reported:

- Economic/Weather conditions
- Changing composition of waste; light-weighting of products
- Accurate designation of waste at landfills/transfer stations
- Opportunities to recycle and divert waste
- Changing markets for recyclables
    - The recycling market saw a significant downturn in 2018 with China's waste import restrictions banning several types of solid waste and recyclables from being imported.

The objectives in the development of the 2019 budget (cash basis):

- Revenue:
    - Project 470,000 tons of waste in 2019 (2% increase from 2018 budget)
    - Investment income from StarOhio and StarPlus continues to perform well
- Expenses:
    - Increase in Recycling Programs and Education Services
        - Increased service fees rates for Shredding and Commercial Recycling Programs. As well as projected higher expenses for Scrap Tire and HHWRC.
        - Increased community outreach and education
    - Community Recycling Assistance Grant (Board Restricted Funds)
        - Use reserve funds to maintain full payout on grant as was done in 2017 and 2018. Maintain funding of countywide recycling education with some expenses moved to Gen Op budget in 2019

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: **Marcie Kress, Executive Director at 12 East Exchange Street, 3rd Floor, Akron, OH 44308.**

Summit/Akron Solid Waste Management Authority
STATEMENT OF NET POSITION
December 31, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash	$ 486,883	$ 500,845
Cash and cash equivalents – unrestricted	3,010,198	2,836,167
Cash and cash equivalents – Board restricted	325,384	440,589
Total cash and cash equivalents	3,822,465	3,777,601
Accounts/grants receivable	200,360	225,961
Prepaid expenses	5,709	10,144
TOTAL CURRENT ASSETS	4,028,534	4,013,706
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	227,773	256,491
Deposits	566	566
TOTAL ASSETS	$ 4,256,873	$ 4,270,763
DEFERRED OUTFLOWS OF RESOURCES-Pension	$ 54,028	$ 128,313
DEFERRED OUTFLOWS OF RESOURCES-OPEB	18,673	-
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 20,530	$ 134,793
Accrued payroll and payroll withholdings	6,418	7,086
Intergovernmental payable	725,971	748,744
TOTAL CURRENT LIABILITIES	752,919	890,623
NONCURRENT LIABILITIES		
Due in more than one year:		
Compensated absences	31,353	26,101
Net OPEB liability	158,111	-
Net pension liability	193,748	328,590
TOTAL LIABILITIES	1,136,131	1,245,314
DEFERRED INFLOWS OF RESOURCES-Pension	98,430	63,643
DEFERRED INFLOWS OF RESOURCES-OPEB	11,778	-
NET POSITION		
Net investment in capital assets	227,773	256,491
Board restricted for community recycling grants/programs	325,384	440,589
Unrestricted	2,530,078	2,393,039
TOTAL NET POSITION	3,083,235	3,090,119
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 4,329,574	$ 4,399,076

See accompanying notes to the financial statements.

Summit/Akron Solid Waste Management Authority
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Generation fees	$ 2,468,925	$ 2,419,680
Grant revenue-OEPA pass through grants	125,000	125,000
Service revenue	4,102	3,602
Miscellaneous	7	80
TOTAL OPERATING REVENUES	2,598,034	2,548,362
OPERATING EXPENSES		
Community recycling grants and programs	501,427	486,173
Landfill closure expenses	598,686	584,345
Household hazardous waste recycling center	292,764	204,454
Health department contracts	150,000	150,000
Reduce, reuse, recycle programs	75,533	74,367
OEPA pass through and other grants	270,000	125,000
Personnel – salaries and benefits	337,948	307,077
Occupancy	36,568	35,388
Office and equipment	23,031	31,924
Professional fees	93,854	82,982
Depreciation	20,891	21,582
Loss on disposal of fixed asset	7,827	-
Vehicles and travel expense	13,056	4,207
Education, branding and marketing	107,563	142,200
TOTAL OPERATING EXPENSES	2,529,148	2,249,699
OPERATING INCOME/(LOSS)	68,886	298,663
NONOPERATING REVENUES:		
Interest income	58,825	26,733
TOTAL NONOPERATING REVENUES	58,825	26,733
CHANGE IN NET POSITION	127,711	325,396
Prior Period Adjustment - See Note B	(134,595)	-
NET POSITION, BEGINNING OF YEAR	3,090,119	2,764,723
NET POSITION, END OF YEAR	$ 3,083,235	$ 3,090,119

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See accompanying notes to the financial statements.

Summit/Akron Solid Waste Management Authority
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Generation fee receipts	$ 2,508,866	$ 2,457,707
Grant revenue-OEPA pass through grants	125,000	125,000
Service revenue	4,102	3,602
Other cash received	7	80
	2,637,975	2,586,389
Health Department contracts	(150,000)	(150,000)
Payments to suppliers	(627,197)	(430,628)
Payments to employees	(342,513)	(270,393)
Other payments	(1,532,226)	(1,177,539)
	(2,651,936)	(2,028,560)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(13,961)	557,829
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest received	58,825	26,733
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	58,825	26,733
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,864	584,562
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,777,601	3,193,039
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,822,465	$ 3,777,601
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income/(loss)	$ 68,886	$ 298,663
Adjustments to reconcile increase in net position to net cash provided by/(used by) operating activities		
Depreciation	20,891	21,582
Loss on disposal of fixed asset	7,827	-
Change in assets and liabilities and deferred inflows/outflows		
Accounts/grants receivable	25,601	15,091
Prepaid expenses	4,435	580
Accounts payable	(114,263)	127,112
Compensated absences payable	5,252	4,847
Accrued payroll and payroll withholdings	(668)	4,411
Intergovernmental payable	(22,773)	58,117
Net pension/OPEB liability	(113,389)	(40,872)
Decrease in deferred outflows of resources-pension	57,675	11,794
Increase in deferred inflows of resources-pension	46,565	56,504
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (13,961)	$ 557,829

See accompanying notes to the financial statements.

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

Nature of Activities

Summit/Akron Solid Waste Management Authority (the Authority), a political subdivision of Summit County, was established pursuant to Chapters 343 and 3734 of the Ohio Revised Code to develop a long-term solution to the management of solid waste (trash and garbage) in Summit County, Ohio, while also protecting the environment. The Authority supports and implements programs that increase recycling, sustainability, conservation of natural resources, waste minimization and preservation of the environment. The Authority operates under a 15 member Board of Trustees that oversees and governs its operations.

Financial Reporting Entity

In accordance with the Statements of Governmental Accounting Standards Board (GASB), including GASB Statement No. 14, "*The Financial Reporting Entity*", GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units*", and, GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 3*", the Authority's financial statements include all funds and activities over which the Authority's Board of Trustees and Executive Director exercise primary oversight responsibility. Oversight responsibility was evaluated on the basis of financial independence, selection of governing board, contracting authority, designation of management and the ability to influence operations.

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

Basis of Presentation

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

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

Measurement Focus/Basis of Accounting

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

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

Measurement Focus/Basis of Accounting (Continued)

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

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

Budgeted Revenues and Expenses

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

Cash and Cash Equivalents

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

Investments

The Authority's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment

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

Investments (Continued)

pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Authority. The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but, only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Receivables

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

Capital Assets

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

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

Pension and Other Postemployment Benefits (OPERS)

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

The current accounting standard requires the Authority to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and post-employment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the Authority's proportionate share of the pension plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

Pension and Other Postemployment Benefits (OPERS) (continued)

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the Authority. However, the Authority is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The Authority has no control over the changes in the benefits, contributions rate, and return on investments affecting the balance of these liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements. In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the Authority. However, claims and judgments, compensated absences and net pension liability that will be paid from the Authority’s funds are reported as a liability in the Authority’s financial statements only to the extent that they are due for payment during the current year.

Net Position

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

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

Use of Estimates

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

NOTE B – CHANGE IN ACOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2018, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. #75, "Accounting and Financial Reporting for Other Postemployment Benefits". GASB #75 established standards for measuring and recognizing other postemployment benefits liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported for 2018:

Net position at December 31, 2017 originally reported	$3,090,119
Adjustments:	
Net OPEB liability	(136,658)
Deferred outflow of resources	2,063
Restated net position at December 31, 2017	$2,955,524

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

NOTE C – DEPOSITS AND INVESTMENTS

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

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance company (FDIC) or may pledge a pool of accounts for the total value of public monies on deposit at the institutions.

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

During 2018 and 2017, 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.

Cash on Hand

At December 31, 2018 and 2017, the Authority had $100 in undeposited cash on hand which is included in the financial statements as part of "Cash".

Deposits

At December 31, 2018, the carrying amount of the Authority's deposits was $1,923,073 and the bank balances were $2,038,877. At December 31, 2017, the carrying amount of the Authority's deposits was $1,909,227 and the bank balances were $1,961,962. The difference between the carrying amounts and the bank balances were outstanding checks and deposits in transit. Beginning January 1, 2013, the FDIC insured the Authority's bank balance up to the standard maximum deposit insurance amount of $250,000 per bank. The balances held at these institutions exceeded the FDIC insured limit by $352,587 and $303,480 as of December 31, 2018 and 2017, respectively. These amounts were covered by pooled, pledged collateral with securities held by the pledging financial institutions' trust departments in accordance with Ohio law.

Investments

The Authority's investments at December 31, 2018 and 2017 consisted of the following:

Investments:	Carrying Value:	Net Asset Value:
2018 STAR Ohio	$ 1,899,292	$ 1,899,292
2017 STAR Ohio	$ 1,868,274	$ 1,868,274

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2018, and 2017, the Authority had the following investments and maturities.

			Investment Maturities (In Years)		
Investment Type	Fair Value	Credit Rating (*)	<1	1-2	2-3
2018 STAR Ohio	$ 1,899,292	AAAm	$ 1,899,292	$ 0	$ 0
2017 STAR Ohio	$ 1,868,274	AAAm	$ 1,868,274	$ 0	$ 0

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

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. The above chart identifies the Authority's recurring fair value measurements as of December 31, 2018 and 2017. All of the Authority's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

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

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

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

NOTE D – COMPENSATED ABSENCES PAYABLE

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

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

The effects of this policy resulted in a liability of $31,353 and $26,101 for compensated absences as of December 31, 2018 and 2017, respectively, and an expense in Personnel-salaries and Benefits of $5,252 and $4,848 for the years ended December 31, 2018 and 2017, 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 E – DEFERRED COMPENSATION PLAN

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

NOTE F – 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 G– 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 H – CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Description	2017 Beginning Balances	2017 Additions	2017 Dispositions	2017 Ending Balances	2018 Additions	2018 Dispositions	2018 Ending Balances
Total capital assets not being depreciated							
Land	$ 18,748	$ -	$ -	$ 18,748	$ -	$ -	$ 18,748
Capital assets being depreciated							
Land improvements	131,692	-	-	131,692	-	-	131,692
Building and building improvements	217,525	-	-	217,525	-	-	217,525
Vehicles	21,621	-	-	21,621	-	-	21,621
Equipment	113,754	-	-	113,754	-	(20,718)	93,036
Leasehold improvements	37,802	-	-	37,802	-	-	37,802
Total capital assets being depreciated	522,394	-	-	522,394	-	(20,718)	501,676
Less: Accumulated depreciation	(263,070)	(21,582)	-	(284,652)	(20,891)	12,892	(292,651)
Net capital assets being depreciated	259,324	(21,582)	-	237,742	(20,891)	(7,826)	209,025
Net capital assets	$278,072	$(21,582)	$ -	$256,490	$(20,891)	$ (7,826)	$227,773

NOTE I – LEASES

The Authority signed a new operating lease agreement for its facilities effective August 1, 2018. The Authority also leases a copier under a 39-month operating lease. The facility lease requires monthly rent of $2,490 and will expire in July 2020. The copier lease requires monthly rent of $238 with a possible 5 per cent increase per year and will expire in October 2019.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2018:

Year Ending December 31	Amount
2019	$ 31,546
2020	17,430
	$ 48,976

Facility lease expense and office equipment lease expense for the years ended December 31, 2018 and 2017 was $32,036 and $31,536, respectively.

NOTE J – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

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

Ohio Public Employees Retirement System

The Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost sharing, multiple-employer defined benefit pension plan. The Member-directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members may elect the Member-directed Plan and Combined Plan, all employee members are in OPERS' Traditional Plan; therefore, the following disclosure focuses on the Traditional Pension Plan.

NOTE J – DEFINED BENEFIT PENSION PLAN (continued)

Ohio Public Employees Retirement System (continued)

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

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

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

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

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

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

NOTE J – DEFINED BENEFIT PENSION PLAN (continued)

Ohio Public Employees Retirement System (continued)

Funding Policy

The Ohio Revised Code (ORC) provides the statutory authority for member and employer contributions as follows:

	Local Governments (the Authority)	
	2018	**2017**
Statutory Maximum Contribution Rates		
Employer	14.0%	14.0%
Employee	10.0%	10.0%
Actual Contribution Rates		
Employer:		
Pension	14.0%	13.0%
Post-employment health care benefits	-	1.0%
Total employer	14.0%	14.0%
Employee	10.0%	10.0%

The Authority's contractually required contribution was $36,959 for 2018.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	
	2018	2017
Proportion of the pension liability-prior measurement date	0.001447%	0.002133%
Proportion of the pension liability-current measurement date	0.001235%	0.001447%
Change in proportionate share	-.000212%	-0.000686%
Proportionate share of net pension liability	$ 193,748	$ 328,590
Pension expense	$ 4,907	$ 38,806

NOTE J – DEFINED BENEFIT PENSION PLAN (continued)

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

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	
Deferred Outflows of Resources	2018	2017
Differences between expected and actual experience	$ 198	$ 445
Net difference between projected and actual earnings on pension plan investments	-	48,934
Changes of assumptions	23,154	52,118
Employer contributions subsequent to the measurement date	30,676	26,816
Total deferred outflows of resources	$ 54,028	$ 128,313
Deferred Inflows of Resources		
Differences between expected and actual experience	$ 3,818	$ 1,956
Net difference between projected and actual earnings on pension plan investments	41,595	-
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	53,017	61,687
Total deferred inflows of resources	$ 98,430	$ 63,643

$30,676 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year ending December 31:	
2019	$ (22,430)
2020	(17,240)
2021	(18,316)
2022	(17,092)
Total	$ (75,078)

Actuarial Assumptions-OPERS

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

NOTE J – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions-OPERS (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25%
Future salary increases, including inflation	3.25 to 10.75% including wage inflation
COLA or Ad Hoc COLA	3%, simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

NOTE J – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions-OPERS (continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00%	2.20%
Domestic equities	19.00%	6.37%
Real estate	10.00%	5.26%
Private equity	10.00%	8.97%
International equities	20.00%	7.88%
Other investments	18.00%	5.26%
Total	100.00%	5.66%

Discount Rate-The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$344,046	$193,748	$68,444

NOTE K – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE K - DEFINED BENEFIT OPEB PLANS (continued)

Ohio Public Employees Retirement System (continued)

In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by the OPERS' actuary, the portion of employer contribution allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $0 for 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals

NOTE K - DEFINED BENEFIT OPEB PLANS (continued)

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

during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Proportion of the net OPEB liability:	
current measurement date	0.001456%
prior measurement date	0.001353%
Change in proportionate share	0.000103%
Proportionate share of the net OPEB liability	$ 158,111
OPEB expense	$ 16,621

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred outflows of resources	
Differences between expected and actual experience	$123
Changes of assumptions	11,512
Changes in proportion and differences between contributions and proportionate share of contributions	7,038
Total deferred outflows of resources	$18,673
Deferred inflows of resources	
Net difference between projected and actual earnings on OPEB plan investments	$11,778

$0 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE K - DEFINED BENEFIT OPEB PLANS (continued)

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

		OPERS
Year ending December 31:		
	2019	$ 5,983
	2020	5,983
	2021	(2,128)
	2022	(2,943)
Total		$ 6,895

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage inflation	3.25 percent
Projected salary increases, including inflation	3.25 to 10.75 percent including wage inflation
Single discount rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent
Investment rate of return	6.50 percent
Municipal bond rate	3.31 percent
Health care cost trend rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial cost method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then

NOTE K - DEFINED BENEFIT OPEB PLANS (continued)

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

Actuarial Assumptions – OPERS (continued)

established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset class	Target allocation	Weighted average long-term expected real rate of return (arithmetic)
Fixed income	34.00%	1.88%
Domestic equities	21.00%	6.37%
Real estate investment trust	6.00%	5.91%
International equities	22.00%	7.88%
Other investments	17.00%	5.39%
Total	100.00%	4.98%

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are

NOTE K - DEFINED BENEFIT OPEB PLANS (continued)

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

Actuarial Assumptions – OPERS (continued)

required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current discount rate (3.85%)	1% Increase (4.85%)
Employer proportionate share of the net OPEB liability	$ 210,057	$ 158,111	$ 116,087

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

NOTE K - DEFINED BENEFIT OPEB PLANS (continued)

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

Actuarial Assumptions – OPERS (continued)

	1% Decrease	Current health care cost trend rate assumption	1% Increase
Employer proportionate share of the net OPEB liability	$ 151,278	$ 158,111	$ 165,169

NOTE L – 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. During 2018, a grant in the amount of $20,000 was awarded to the Akron Zoo to support their food waste and organics diversion project.

NOTE M – OEPA PASS THROUGH GRANT AGREEMENTS

The Authority was awarded $250,000 for the years ending December 31, 2017 and 2016 from the Ohio Environmental Protection Agency (OEPA) for market development pass through grants. Prior to December 31, 2017, the Authority was notified that their 2017 sub-grantee would not be completing their project and therefore, the $125,000 that had been advanced by the OEPA for the 2017 grant would need to be returned and was included in accounts payable at December 31, 2017. It was repaid to the OEPA in March 2018. During 2018, the 2016 sub-grantee completed their project and payments totaling $250,000 were made.

NOTE N – INTERGOVERNMENTAL LIABILITY

The Authority collects $5.00 per ton in generation fees for processing solid waste in Summit County. Of this amount, $1.20 per ton is to be used to assist the City of Akron with the closure of the Hardy Road landfill and recorded as an intergovernmental liability in the amounts of $598,686 and $584,345 at December 31, 2018 and 2017, respectively.

NOTE O - LONG-TERM OBLIGATIONS

The changes in the Authority's long-term obligations during 2018 and 2017 were as follows:

Description	Restated Principal Outstanding 12/31/17	2018 Additions	2018 Deductions	Principal Outstanding 12/31/18	Amount Due in One Year
Compensated absences	$ 26,101	$ 5,252	$ -	$ 31,353	$ 15,082
Net OPEB liability	136,658	21,453	-	158,111	-
Net pension liability-OPERS	328,590	-	134,842	193,748	-
Total	$ 491,349	$ 26,705	$ 134,842	$ 383,212	$ 15,082

Description	Principal Outstanding 12/31/16	2017 Additions	2017 Deductions	Principal Outstanding 12/31/17	Amount Due in One Year
Compensated absences	$ 21,254	$ 4,847	$ -	$ 26,101	$ 14,310
Net pension liability-OPERS	369,462	-	40,872	328,590	-
Total	$ 390,716	$ 4,847	$ 40,872	$ 354,691	$ 14,310

NOTE P – BOARD-RESTRICTED NET POSITION

As noted in Note N, the Authority collects $5.00 per ton in generation fees for processing solid waste in Summit County. Of this amount, the Board of Trustees has elected to distribute $1.00 per ton to or on behalf of the communities in Summit County to assist with their recycling programs and is recorded as a board-restricted net position and board-restricted cash in the amounts of $325,384 and $440,589 at December 31, 2018 and 2017, respectively.

NOTE Q – 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 R – 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 S - SUBSEQUENT EVENTS

Subsequent events were evaluated by management through June 15, 2019, the date the financial statements were available to be issued.

Summit/Akron Solid Waste Management Authority

Required Supplementary Information

SCHEDULE OF SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Five Years (1)

	2018	2017	2016	2015	2014
Ohio Public Employees Retirement System (OPERS) - Traditional Plan					
Authority's proportion of the net pension liability	0.001235%	0.001447%	0.002133%	0.002213%	0.002213%
Authority's proportionate share of the net pension liability	$ 193,748	$ 328,589	$ 369,462	$ 266,913	$ 266,913
Authority's covered employee payroll	$ 206,277	$ 186,992	$ 263,025	$ 303,158	$ 303,158
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	93.93%	175.72%	140.47%	88.04%	88.04%
Plan fiduciary net position as a percentage of total pension liability	84.66%	77.25%	81.08%	86.45%	86.45%

(1) Information prior to 2014 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

Summit/Akron Solid Waste Management Authority
Required Supplementary Information
SCHEDULE OF SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY CONTRIBUTIONS-PENSION
Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Ohio Public Employees Retirement System (OPERS) - Traditional Plan						
Contractually required contribution	$ 30,676	$ 26,816	$ 22,439	$ 31,563	$ 36,379	$ 28,183
Contributions in relation to contractually required contribution	(30,676)	(26,816)	(22,439)	(31,563)	(36,379)	(28,183)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority covered employee payroll	$219,114	$206,277	$186,992	$263,025	$303,158	$216,792
Contributions as a percentage of covered employee payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

Summit/Akron Solid Waste Management Authority

Required Supplementary Information

SCHEDULE OF SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Last Two Years (1)

	2018	2017
Ohio Public Employees Retirement System (OPERS)		
Authority's proportion of the net OPEB liability	0.001456%	0.001353%
Authority's proportionate share of the net OPEB liability	$ 158,111	$ 136,658
Authority's covered employee payroll	$ 206,277	$ 186,992
Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	76.65%	73.08%
Plan fiduciary net position as a percentage of total OPEB liability	54.14%	54.05%

(1) Information prior to 2017 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

Summit/Akron Solid Waste Management Authority
Required Supplementary Information
SCHEDULE OF SUMMIT/AKRON SOLID WASTE MANAGEMENT AUTHORITY CONTRIBUTIONS-OPEB
Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Ohio Public Employees Retirement System (OPERS)						
Contractually required contribution	$ -	$ 2,063	$ 3,740	$ 5,260	$ 6,063	$ 2,168
Contributions in relation to contractually required contribution	-	(2,063)	(3,740)	(5,260)	(6,063)	(2,168)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority covered employee payroll	$219,114	$206,277	$186,992	$263,025	$303,158	$216,792
Contributions as a percentage of covered employee payroll	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) Information prior to 2013 is not available.

Net Pension Liability

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Changes in benefit terms: There were no changes in benefit terms from the amounts reported

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determine
contributions for 2018. See the notes to the basic financials for the methods and assumptions in this calculation

Net OPEB Liability

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determine
contributions for 2018. See the notes to the basic financials for the methods and assumptions in this calculation

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

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Summit/Akron Solid Waste Management Authority, Summit County, Ohio (the Authority) as of and for the years ended December 31, 2018 and 2017, 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 11, 2019. We noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 to be material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris and Associates, Inc.
June 11, 2019

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
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