



**Auditor of State  
Betty Montgomery**



STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance General Fund For the Years Ended December 31, 2002 and 2001 .....	3
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Stark Council of Governments  
Stark County  
218 Cleveland Avenue  
Canton, Ohio 44702

To the Executive Committee:

We have audited the accompanying financial statements of Stark Council of Governments, Stark County, Ohio, (the SCOG) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the SCOG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the SCOG prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the SCOG as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully discussed in Note 6 to the financial statements, the fund balance was restated as of January 1, 2001, to correct an error.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2003 on our consideration of the SCOG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Executive Committee and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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**Betty Montgomery**  
Auditor of State

May 5, 2003

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash Receipts:</b>		
Intergovernmental	\$1,083,771	2,043,536
Earnings on Investments	37,114	96,044
Miscellaneous	6,900	10,569
	<u>1,127,785</u>	<u>2,150,149</u>
<b>Cash Disbursements:</b>		
Current:		
Personal Services - Salaries and Wages	129,610	122,996
Personal Services - Employee Benefits	44,275	37,285
Supplies and Materials	97,402	87,662
Purchased Services	262,384	278,714
Other Allocations	1,846,799	1,357,139
Capital Outlay	138,414	632,025
	<u>2,518,884</u>	<u>2,515,821</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(1,391,099)</u>	<u>(365,672)</u>
Fund Cash Balances, January 1 (Restated 2001)	<u>2,235,384</u>	<u>2,601,056</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$844,285</u></u></b>	<b><u><u>\$2,235,384</u></u></b>
Reserves for Encumbrances, December 31	<u><u>\$257,320</u></u>	<u><u>\$301,543</u></u>

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

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**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Stark County Council of Governments, Stark County, Ohio (the SCOG) is established by its member political subdivisions as a regional council under Chapter 167 of the Ohio Revised Code for the purpose of providing a permanent forum for discussion and study of concerns of the county, cities, villages and townships for development of policies and programs for implementation by one or more of the local governing bodies. The SCOG operates under the direction of a nine member Executive Committee, which is elected by the General Membership of the SCOG. The General Membership consists of one representative designated by each political subdivision. The SCOG's current functions include but are not limited to the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Stark County Auditor acts as the fiscal agent for the SCOG and the County Treasurer maintains a cash and investment pool, including all funds for which the County Auditor is the fiscal agent. The County Treasurer also maintains an investment in STAR Ohio (the State Treasurer's investment pool) for the SCOG which is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The SCOG maintains a General Fund which is used to account for all financial resources of the SCOG.

**E. Budgetary Process**

**Appropriations**

According to the bylaws of the SCOG, the General Membership shall adopt an appropriation resolution for each calendar year on or before December 31 of the preceding year. The annual appropriation shall not exceed the Certificate of Estimated Resources received from the Stark County Budget Commission.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

Stark County, the fiscal agent for the SCOG, maintains a cash and investment pool used by all funds, including the SCOG. The County also maintains a separate STAR Ohio account for SCOG. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Deposits with County Treasurer	\$42,285	\$1,433,384
STAR Ohio	\$802,000	\$802,000
Total deposits and investments	\$844,285	\$2,235,384

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,050,163	\$2,518,884	(\$468,721)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,280,321	\$2,515,821	(\$235,500)

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. RISK MANAGEMENT**

**Commercial Insurance**

The SCOG has obtained commercial insurance for the following risks:

- Municipal Liability
- Law Enforcement Liability
- Government Automobile Coverage

**5. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**6. CORRECTION OF AN ERROR**

In October 2000, the SCOG received roughly \$302,000 in lieu of a performance bond from Cogent Systems, Inc. for the purchase of an Automated Palm Fingerprint Identification System. As prescribed by the contract, the money was invested in a 90 day certificate of deposit. The interest earned became the property of the SCOG and was reflected within the accounting records and financial statements. However, the \$302,000 receipt and funds held as of December 31, 2000 were improperly excluded from the financial statements. As a result of correcting this error, the fund cash balance has been restated as follows:

	<b>General Fund</b>
Previously Reported Fund	
Cash Balance, December 31, 2000	\$2,299,056
Cash Receipts	<u>302,000</u>
Restated Fund Balance, January 1, 2001	<u><u>\$2,601,056</u></u>

In addition, the Excess of Cash Receipts Over/(Under) Cash Disbursements for 2000 have been restated as follows:

	<b>General Fund</b>
Previously Reported	
Excess of Cash Receipts Over/(Under) Cash Disbursements	\$385,031
Cash Receipts	<u>302,000</u>
Restated Excess of Cash Receipts Over/(Under) Cash Disbursements for 2000	<u><u>\$687,031</u></u>

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**Auditor of State  
Betty Montgomery**

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

Stark Council of Governments  
Stark County  
218 Cleveland Avenue  
Canton, Ohio 44702

To the Executive Committee:

We have audited the accompanying financial statements of the Stark Council of Governments, Stark County, Ohio (the SCOG) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 5, 2003, in which we noted fund balance was restated as of January 1, 2001, to correct for a certain error. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the SCOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the SCOG's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Stark Council of Governments  
Stark County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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**Betty Montgomery**  
Auditor of State

May 5, 2003



**Auditor of State  
Betty Montgomery**

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**STARK COUNCIL OF GOVERNMENTS**

**STARK 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  
JUNE 17, 2003**