



Mary Taylor, CPA
Auditor of State

**HEARTLAND COUNCIL OF GOVERNMENTS
RICHLAND COUNTY**

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Mary Taylor, CPA
Auditor of State

Heartland Council of Governments
Richland County
1495 Longview Avenue, Suite 100
Mansfield, Ohio 44906

To the Members of the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Council of Governments to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

October 7, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Heartland Council of Governments
Richland County
1495 Longview Avenue, Suite 100
Mansfield, Ohio 44906

To the Members of the Board:

We have audited the accompanying financial statements of the Heartland Council of Governments, Richland County, Ohio, (the COG) as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the COG'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the COG has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the COG does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require councils of governments to reformat their statements. The COG has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the COG as of June 30, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserves for encumbrances of the Heartland Council of Governments, Richland County, Ohio, as of June 30, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As further described in Note 2, the COG restated its July 1, 2007 fund balance to remove certain grant monies which were determined to be the fiscal agent's funds.

The COG has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2009, on our consideration of the COG'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 7, 2009

**HEARTLAND COUNCIL OF GOVERNMENTS
RICHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash Receipts:		
Intergovernmental	\$294,215	\$793,431
Charges for Services	2,292,351	1,802,572
Sales	13,705	130,441
Earnings on Investments	7,558	10,832
Miscellaneous		188
	<u>2,607,829</u>	<u>2,737,464</u>
Cash Disbursements:		
Salaries	926,489	926,025
Employee Fringe Benefits	337,501	335,761
Purchased and Contractual Services	937,525	1,036,471
Supplies and Materials	60,304	70,849
Other	22,178	27,951
Capital Outlay	86,924	66,470
Debt Service:		
Redemption of Principal		86,922
Interest and Other Fiscal Charges		1,653
	<u>2,370,921</u>	<u>2,552,102</u>
Total Cash Receipts Over Cash Disbursements	<u>236,908</u>	<u>185,362</u>
Fund Cash Balance, July 1 (Restated)	<u>381,437</u>	<u>196,075</u>
Fund Cash Balance, June 30	<u><u>\$618,345</u></u>	<u><u>\$381,437</u></u>
Reserve for Encumbrances, June 30	<u>\$16,004</u>	<u>\$16,375</u>

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

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**HEARTLAND COUNCIL OF GOVERNMENTS
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Heartland Council of Governments, Richland County, Ohio, (the COG) as a body corporate and politic. Eligibility for membership in the COG includes 15 local school districts, one educational service center, one career and technology center and a consortium of community schools. Each member's Board appoints its Superintendent or Superintendent's designee to act as its representative at COG meetings and for all COG activities. The COG is directed by an appointed eight-member Board of Directors. The COG provides computer and data processing services to its members and other government entities. The COG provides an employing authority which can administer all personnel functions needed to facilitate the use of temporary excess computer capacity and personnel time to provide computer services to nonmembers and to permit the expansion into new areas of technology.

The Pioneer Career and Technology Center, Richland County, Ohio, serves as the fiscal agent for the COG and provides certain accounting and administrative services to the COG.

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

B. Accounting Basis

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The COG recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The COG's cash is held and invested by the Pioneer Career and Technology Center (the Center) Treasurer, who acts as custodian for COG monies. The COG's investments are held in the Center's cash and investment pool and are valued at the Center's reported carrying amount.

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30, 2009 and 2008 was \$618,345 and \$381,437, respectively.

D. Fund Accounting

The COG uses fund accounting to segregate cash and investments that are restricted as to use. The General Fund is the general operating fund of the COG and is used to account for all financial resources.

**HEARTLAND COUNCIL OF GOVERNMENTS
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code does not require the COG to budget annually. However, management prepares a budget for internal monitoring. Budgetary basis expenditures include outstanding year end encumbrances.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The COG records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Restatement of Fund Cash Balance

The COG's June 30, 2007 Special Revenue Fund cash balances previously reported as \$1,619 was removed from financial statement. This cash fund balance related to a Library Service and Technology Act grant which was determined to be fully administered and reported by the COG's fiscal agent, the Pioneer Career and Technology Center.

3. Budgetary Activity

Budgetary activity for the years ended June 30, 2009 and 2008 is as follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,122,356	\$2,607,829	\$485,473

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,946,454	\$2,386,925	(\$440,471)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,342,040	\$2,737,464	\$1,395,424

**HEARTLAND COUNCIL OF GOVERNMENTS
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,330,200	\$2,568,477	(\$1,238,277)

4. Retirement System

The COG provides retirement benefits to all employees under the School Employees Retirement System.

The COG contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or by visiting SERS' website, at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the COG is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the COG's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.84 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. In addition to the salary contributions, the COG pays an additional 14 percent contribution on salaries of employees who are paid below a level established by SERS actuaries. This additional contribution is referred to as the "employer surcharge". The COG has paid all contributions required through June 30, 2009.

5. Risk Management

Commercial Insurance

The COG has obtained commercial insurance for the following risks:

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

The COG also provides health insurance and dental and vision coverage to full-time employees through Pioneer Career and Technology Center.

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Mary Taylor, CPA

Auditor of State

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

Heartland Council of Governments
Richland County
1495 Longview Avenue, Suite 100
Mansfield, Ohio 44906

To the Members of the Board:

We have audited the financial statements of the Heartland Council of Governments, Richland County, Ohio, (the COG) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated October 7, 2009, wherein we noted the COG followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and wherein we noted the July 1, 2007 cash fund balance was restated. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the COG's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the COG's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the COG's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the COG's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the COG's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the COG's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the COG's management in a separate letter dated October 7, 2009

Compliance and Other Matters

As part of reasonably assuring whether the COG'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, providing an opinion 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*.

We intend this report solely for the information and use of management and the Heartland Council of Governments Board. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 7, 2009

**HEARTLAND COUNCIL OF GOVERNMENTS
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Receipt and Disbursement Posting – Various receipts and disbursements were not posted to the correct line items.	No	Partially Corrected – Repeated in Management Letter.



Mary Taylor, CPA
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HEARTLAND COUNCIL OF GOVERNMENTS

RICHLAND 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
NOVEMBER 5, 2009**