



**Mary Taylor, CPA**  
Auditor of State



STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances General Fund For the Year Ended December 31, 2008.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances General Fund For the Year Ended December 31, 2007 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13

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# Mary Taylor, CPA

Auditor of State

Stark Council of Governments  
Stark County  
5320 Bridgecreek Avenue, NW  
Canton, Ohio 44718

To the Executive Committee:

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government 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 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.

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

Mary Taylor, CPA  
Auditor of State

September 4, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Stark Council of Governments  
Stark County  
5320 Bridgecreek Avenue, NW  
Canton, Ohio 44718

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, 2008 and 2007. 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 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 SCOG 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the SCOG's larger (i.e. major) funds separately. While the SCOG does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The SCOG has elected not to follow GAAP statement reformatting 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 year ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Stark Council of Governments, Stark County, as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

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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 Stark Council of Governments, Stark County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The SCOG 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 September 4, 2009, 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 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA  
Auditor of State

September 4, 2009



**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>General</b>
<b>Cash Receipts:</b>	
Intergovernmental	\$1,447,608
Earnings on Investments	9,066
Other Revenue	9
Total Cash Receipts	1,456,683
<b>Cash Disbursements:</b>	
Supplies	123,190
Purchased Services	470,206
Other Allocations	845,489
Capital Outlay	58,053
Total Cash Disbursements	1,496,938
Total Cash Receipts Under Cash Disbursements	(40,255)
Fund Cash Balances, January 1	1,043,172
<b>Fund Cash Balances, December 31</b>	<b>\$1,002,917</b>
Reserve for Encumbrances, December 31	\$359,242

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

STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>
<b>Cash Receipts:</b>	
Intergovernmental	\$1,555,928
Earnings on Investments	16,534
Other Revenue	<u>777</u>
Total Cash Receipts	<u>1,573,239</u>
<b>Cash Disbursements:</b>	
Supplies	131,619
Purchased Services	420,102
Other Allocations	933,396
Capital Outlay	<u>66,520</u>
Total Cash Disbursements	<u>1,551,637</u>
Total Cash Receipts Over Cash Disbursements	21,602
Fund Cash Balances, January 1	<u>1,021,570</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$1,043,172</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$387,490</u></u>

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

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Stark 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The SCOG 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 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 uses fund accounting to segregate cash and investments that are restricted as to use. The SCOG classifies its fund into the following type:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**E. Budgetary Process**

**1. 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.

**2. Encumbrances**

The SCOG reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and are not reappropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**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 at December 31, was as follows:

	2008	2007
Deposits with County Treasurer	\$678,328	\$717,726
STAR Ohio	324,589	325,446
Total Deposits and Investments	\$1,002,917	\$1,043,172

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,037,420	\$1,456,683	(\$580,737)

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,087,986	\$1,856,180	\$231,806

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,038,097	\$1,573,239	(\$464,858)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,078,389	\$1,939,127	\$139,262

**4. RISK MANAGEMENT**

The SCOG belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The SCOG's share of these unpaid claims collectible in future years is approximately \$22,632. This payable includes the subsequent year's contribution due if the SCOG terminates participation, as described in the last paragraph below.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$19,839
2006	18,825
2007	19,680

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**5. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the SCOG are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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*

Stark Council of Governments  
Stark County  
5320 Bridgecreek Avenue, NW  
Canton, Ohio 44718

To the Executive Committee:

We have audited the financial statements of the Stark Council of Governments, Stark County, Ohio, (the SCOG) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 4, 2009, wherein we noted the SCOG followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 SCOG's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the SCOG's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the SCOG'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 SCOG'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 SCOG'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 SCOG's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of 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.

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

As part of reasonably assuring whether the SCOG'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 Executive Committee. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA  
Auditor of State

September 4, 2009



**Mary Taylor, CPA**  
Auditor of State

**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  
OCTOBER 15, 2009**