



**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010-2009



Dave Yost • Auditor of State

**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION
STARK COUNTY**

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Dave Yost • Auditor of State

Local Organized Governments in Cooperation
Stark County
2601 Cleveland Avenue
Canton, Ohio 44709

To 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 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 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.

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Dave Yost
Auditor of State

May 6, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Local Organized Governments in Cooperation
Stark County
2601 Cleveland Avenue
Canton, Ohio 44709

To the Board:

We have audited the accompanying financial statements of the Local Organized Governments in Cooperation, Stark County, (LOGIC) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the LOGIC'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, LOGIC 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 LOGIC's larger (i.e. major) funds separately. While LOGIC 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 LOGIC to reformat their statements. LOGIC 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 December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of LOGIC as of December 31, 2010 and 2009, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Local Organized Governments in Cooperation, Stark County, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

LOGIC 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 May 6, 2011, on our consideration of the LOGIC'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.



Dave Yost
Auditor of State

May 6, 2011

**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION
STARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Operating Cash Receipts:		
Charges for Services	\$1,368,334	\$1,296,483
Operating Cash Disbursements:		
Salaries	874,446	851,917
Benefits	257,465	261,460
Purchased Services	8,435	5,938
Building and Equipment Rental	12,723	15,684
Equipment Repair and Maintenance	8,985	5,465
Utilities	33,627	34,465
Insurance	8,322	8,383
Other	24,568	17,976
Total Operating Cash Disbursements	1,228,571	1,201,288
Operating Income	139,763	95,195
Non-Operating Cash Receipts:		
Earnings on Investments	69	7
Non-Operating Cash Disbursements:		
Capital Outlay	38,958	11,145
Redemption of Principal	25,000	25,000
Total Non-Operating Cash Disbursements	63,958	36,145
Net Receipts Over Disbursements	75,874	59,057
Fund Cash Balances, January 1	168,925	109,868
Fund Cash Balances, December 31	\$244,799	\$168,925

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

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**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

Local Organized Governments in Cooperation, Stark County, (LOGIC) was established by its member political subdivisions as a regional council under Chapter 167 of the Ohio Revised Code for the purpose of operating the Regional Emergency Dispatch (RED) Center. LOGIC operates under the direction of the Board of Trustees, which consists of one representative designated by each permanent member political subdivision. The permanent member subdivisions are the City of Massillon, Jackson Township, City of Canal Fulton, Village of Hills and Dales, and Lawrence Township.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

All cash received by LOGIC is maintained in demand deposit accounts.

D. Budgetary Process

Unlike traditional governments located in the State of Ohio, LOGIC is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705. However, according to the bylaws of LOGIC, an annual operating budget is prepared by the management team, comprised of each fire or police chief whose dispatching is conducted by RED, and submitted to LOGIC detailing all anticipated expenses of RED.

E. Property, Plant, and Equipment

LOGIC 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.

**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Deposits and Investments

The carrying amount of deposits and investments at December 31, 2010 and 2009 was \$244,799 and \$168,925, respectively, and was covered by Federal Depository Insurance Corporation (FDIC).

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	1,410,300	1,368,403	(41,897)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	1,590,703	1,292,529	298,174

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	1,365,310	1,296,490	(68,820)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	1,476,307	1,237,433	238,874

4. Retirement Systems

LOGIC's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10 percent of their gross salaries and LOGIC contributed an amount equaling 14 percent of participants' gross salaries. LOGIC has paid all contributions required through December 31, 2010.

5. Risk Management

LOGIC is exposed to various risks of property and casualty losses, and injuries to employees.

LOGIC insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Risk Management (continued)

LOGIC 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, LOGIC's share of these unpaid claims collectible in future years is approximately \$8,000.

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.

**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Risk Management (continued)

<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>
\$8,322	\$8,383

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

6. Related Party Transactions

Pursuant to Ohio Revised Code Sections 167.05, 167.06, 167.08 and the LOGIC bylaws, Jackson Township paid for the purchase of real estate and constructed and paid for a facility to house LOGIC's RED Center operations. Pursuant to the LOGIC bylaws, Article II (J), Jackson Township's costs in constructing the facility including architectural or other fees, advertisement and other bidding costs and construction costs deducted over a period of years for their yearly required share of LOGIC costs. Total principal payment was \$25,000 for each year.

Due to the RED Center being located within the administrative offices of Jackson Township, LOGIC has a rental agreement with the Township for the space used. Rental payments under this agreement totaled \$6,000 for each year.

Finally, LOGIC purchased all supplies through the Jackson Central Maintenance Division which totaled \$6,239 and \$3,483 for 2010 and 2009, respectively.



Dave Yost • Auditor of State

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

Local Organized Governments in Cooperation
Stark County
2601 Cleveland Avenue
Canton, Ohio 44709

To the Board:

We have audited the financial statements of the Local Organized Governments in Cooperation, Stark County, (LOGIC) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 6, 2011, wherein we noted LOGIC followed accounting practices the Auditor of State prescribes or permits 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 LOGIC's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of LOGIC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of LOGIC's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of LOGIC's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of reasonably assuring whether LOGIC'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 did note certain matters not requiring inclusion in this report that we reported to LOGIC's management in a separate letter dated May 6, 2011.

We intend this report solely for the information and use of management and the Board of Trustees and others within LOGIC. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 6, 2011



Dave Yost • Auditor of State

LOCAL ORGANIZED GOVERNMENTS IN COOPERATION

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 7, 2011**