



Dave Yost • Auditor of State



**NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS  
SENECA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

North Central Ohio Regional Council of Governments  
Seneca County  
928 West Market Street, Suite A  
Tiffin, Ohio 44883-2529

To the Members of the Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the North Central Ohio Regional Council of Governments, Seneca County, Ohio, (the Council) as of and for the years ended June 30, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting this financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D); this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this 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 statements amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council'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 Council's internal control. Accordingly, we express no 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 statements presentation.

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the North Central Ohio Regional Council of Governments, Seneca County, Ohio as of June 30, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 16, 2014

**NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS  
SENECA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Charges for Services	\$9,898		\$9,898
Donations	1,200		1,200
Membership Dues	5,075		5,075
Intergovernmental		\$70,000	70,000
<i>Total Cash Receipts</i>	<u>16,173</u>	<u>70,000</u>	<u>86,173</u>
<b>Cash Disbursements</b>			
Current:			
Contract Services	9,991	70,000	79,991
Materials and Supplies	42		42
Other	262		262
<i>Total Cash Disbursements</i>	<u>10,295</u>	<u>\$70,000</u>	<u>80,295</u>
<i>Excess of Receipts Over Disbursements</i>	<u>5,878</u>		<u>5,878</u>
<i>Net Change in Fund Cash Balances</i>	5,878		5,878
<i>Fund Cash Balances, January 1</i>	<u>6,020</u>		<u>6,020</u>
<b>Fund Cash Balances, December 31</b>			
Unassigned	<u>11,898</u>		<u>11,898</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$11,898</u></u>		<u><u>\$11,898</u></u>

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

**NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS  
SENECA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>
<b>Cash Receipts</b>	
Membership Dues	<u>\$6,250</u>
<b>Cash Disbursements</b>	
Current:	
Materials and Supplies	<u>230</u>
<i>Net Change in Fund Cash Balance</i>	6,020
<i>Fund Cash Balance, January 1</i>	<u>          </u>
<b>Fund Cash Balance, December 31</b>	
Unassigned	<u>6,020</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$6,020</u></u>

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

**NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Pursuant to the provisions of Chapter 167 of the Ohio Revised Code, the North Central Ohio Regional Council of Governments, Seneca County, Ohio, (the Council) is a voluntary association of local governments representing Seneca, Wyandot and Marion Counties. Local Governments represented include counties, cities, villages, townships, school districts and educational service centers. The Board of Directors is composed of up to eleven members, including one each from the townships and villages, two each from the cities, counties and school districts and three at large representatives.

The Council is a regional source for shared services, and fosters regional progress through networks of public and private partnerships. The Council serves as a forum for assessing and acting on regional issues and problems through cooperative efforts by formulating policies, plans and programs, and facilitating actions that are common and regional, that are cost effective for the region, and that contribute to the effectiveness of local government and the quality of life enjoyed by citizens of the region.

The Council's management believes these financial statements present all activities for which the Council 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. The Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Fund Accounting**

The Council uses fund accounting to segregate cash that is restricted as to use. The Council classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Fund**

This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Council had the following significant Special Revenue Fund:

LGIF Justice Center Grant Fund - This grant provides funding for a feasibility study to determine a course of action for sharing services and resources to combine the City of Tiffin Municipal Court and Seneca County Common Pleas Courts into one building as a Joint Justice Center.

**NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

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

**D. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Council classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Council Trustees or a Council official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**E. Property, Plant, and Equipment**

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

**NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS**

The Council maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at June 30 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$11,898</u>	<u>\$6,020</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY PROCESS**

A Council of Governments established under chapter 167 of the Ohio Revised Code is not a taxing authority and is not subject to Ohio Revised Code Chapter 5705.

**4. RISK MANAGEMENT**

The Council has not obtained insurance and is uninsured for general liability insurance coverage.

**5. FISCAL AGENT**

The North Central Ohio Educational Service Center, Seneca County, Ohio, serves as the fiscal agent for the Council and provides certain accounting and administrative services to the Council.

**6. RELATED PARTY TRANSACTIONS**

The Director of the North Central Ohio Regional Council of Governments (Council) is an employee of the North Central Ohio Educational Service Center (ESC). The ESC provides a Director at no cost to the Council. The ESC paid \$93,757 for the Director in 2013 and \$93,569 in 2014.

The ESC also provides office space for the Council, and as fiscal agent, provides a Fiscal Officer at no cost.

If these services were to be discontinued, it could materially affect the Council.

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# Dave Yost • Auditor of State

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

North Central Ohio Regional Council of Governments  
Seneca County  
928 West Market Street, Suite A  
Tiffin, Ohio 44883-2529

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the North Central Ohio Regional Council of Governments, Seneca County, Ohio, (the Council) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated December 16, 2014 wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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 Council'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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Council'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*.

***Entity's Response to Finding***

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 16, 2014

**NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness - Fund Balance Classification**

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The original report submitted by the Council for audit did not include the proper GASB 54 fund balance classifications. As a result, the June 30, 2014 fund balance of \$11,898 was adjusted from "fund balance" to "unassigned" and the June 30, 2013 fund balance of \$6,020 was adjusted from "fund balance" to "unassigned". We recommend the Council prepare their report in accordance with the provisions of GASB Statement No. 54 for all future reporting.

**Officials' Response:**

The Board will address this issue at the next board meeting.

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# Dave Yost • Auditor of State

**NORTH CENTRAL OHIO REGIONAL COUNCIL OF GOVERNMENTS**

**SENECA 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  
DECEMBER 30, 2014**