



**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Midland Council of Governments
Wayne County
2125-B Eagle Pass
Wooster, Ohio 44691

To the Executive Committee:

We have audited the accompanying financial statements of the Midland Council of Governments, Wayne County, Ohio, (the Council) as of and for the years ended June 30, 2001 and 2000. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Council 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 fund cash balances and reserves for encumbrances of the Council as of June 30, 2001 and 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2001, 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 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 audits.

This report is intended solely for the information and use of the Executive Committee, management of the Council, 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.

Jim Petro
Auditor of State

September 21, 2001

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**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	General Fund	
	2001	2000
Cash Receipts:		
Intergovernmental	\$1,006,594	\$666,871
Charges for Services	1,569,530	1,150,966
Earnings on Investments	50,429	36,772
Miscellaneous	5,390	44
Total Cash Receipts	2,631,943	1,854,653
Cash Disbursements:		
Current:		
Salaries	896,563	741,413
Employee Benefits	244,051	231,312
Purchased Services	769,548	496,654
Materials and Supplies	16,637	25,122
Distributions to Member Districts	162,373	163,650
Other	27,398	19,293
Capital Outlay	285,071	221,309
Total Cash Disbursements	2,401,641	1,898,753
Total Cash Receipts Over/(Under) Cash Disbursements	230,302	(44,100)
Other Financing Receipts:		
Sale of Assets		3,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	230,302	(40,600)
Fund Cash Balances, July 1	578,529	619,129
Fund Cash Balances, June 30	\$808,831	\$578,529
Reserves for Encumbrances, June 30	\$87,755	\$241,290

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

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**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Midland Council of Governments, Wayne County, (the Council) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Eligible members of the Council include 17 school districts, one educational service center, and two career centers. Each member's Board appoints its Superintendent or Superintendent's designee to act as its representative at Council meetings and for all Council activities. The Council is directed by an appointed seven-member Executive Committee. The Council provides computer and data processing services to its members and other government entities.

The Council's management believes these financial statements present all activities for which the Council 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 they are 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

Investments are included in the cash fund balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. The investment in STAR Ohio (the State Treasurer' investment pool) is valued at amounts reported by the State Treasurer. Repurchase agreements are valued at cost.

D. Fund Accounting

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

E. Budgetary Process

The Ohio Revised Code does not require the Council to budget annually. However, management prepares a budget for internal monitoring.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Council.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30 follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	(\$30,247)	\$31,321
STAR Ohio	799,078	547,208
Repurchase agreements	40,000	0
Total investments	839,078	547,208
Total deposits and investments	\$808,831	\$578,529

Deposits:

Deposits are either insured by the Federal Depository Insurance Corporation or 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 June 30, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,504,040	\$2,631,943	\$127,903

2001 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,323,892	\$2,489,396	\$834,496

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,583,669	\$1,858,153	\$274,484

2000 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,245,200	\$2,140,043	\$105,157

4. RETIREMENT SYSTEMS

The Council provides retirement benefits to all certificated employees under the State Teachers' Retirement System and to all noncertified employees under the School Employees Retirement System.

A. School Employees Retirement System

The Council contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. This report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 per cent of their annual covered salary, and the Council is required to contribute 14 per cent. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. In addition to the salary contributions, the Council pays an additional 14% contribution on salaries of employees who are paid below a level established annually by SERS actuaries. This additional contribution is referred to as the "employer surcharge."

B. State Teachers Retirement System

The Council also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

4. RETIREMENT SYSTEMS (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 per cent of their annual covered salary and the Council is required to contribute 14 per cent. Contribution rates are established by STRS upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 per cent for employers.

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial inland marine
- General liability
- Public officials' liability

The Council also provides health insurance and dental and vision coverage to full-time employees through the Tri-County Joint Self-Insurance Plan.

6. FISCAL AGENT

The Tri-County Education Service Center acts as the fiscal agent for the Council and provides certain accounting and administrative services to the Council.

7. CAPITAL LEASE

The Council entered into an escrow lease agreement with Fifth Third Bank on July 17, 2000. The Council is leasing a computer hardware upgrade with a capitalized cost of \$227,945. The lease has been capitalized at the present value of the minimum future lease payments. The lease is for a period of 36 months with an interest rate of 6.15%. Monthly payments are \$6,950 with final payment due July 17, 2003. The following is a schedule of future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2001:

<u>Year Ended June 30</u>	<u>Amount</u>
2002	\$83,400
2003	83,400
2004	<u>6,950</u>
Total minimum lease payments	173,750
Less: amount representing interest at 6.15%	<u>(11,061)</u>
Present value of future minimum lease payments	<u><u>\$162,689</u></u>



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

Midland Council of Governments
Wayne County
2125-B Eagle Pass
Wooster, Ohio 44691

To the Executive Committee:

We have audited the accompanying financial statements of the Midland Council of Governments, Wayne County, Ohio, (the Council) as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated September 21, 2001. We conducted our audits 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 Council'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 audits 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 audits, we considered the Council'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.

However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Council in a separate letter dated September 21, 2001.

Midland Council of Governments
Wayne County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of the Executive Committee and management of the Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 21, 2001



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MIDLAND COUNCIL OF GOVERNMENTS

WAYNE 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 18, 2001**