



**Auditor of State  
Betty Montgomery**



**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

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## Auditor of State Betty Montgomery

### 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, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the COG 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 COG as of June 30, 2003 and 2002, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2003, 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 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 audit.

This report is intended solely for the information and use of the audit committee, management and the Members of the Board, 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.

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**Betty Montgomery**  
Auditor of State

October 24, 2003

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

|   | <b>2003</b>      | <b>2002</b>      |
|---|------------------|------------------|
| <b>Cash Receipts:</b>   |                  |                  |
| Intergovernmental   | \$655,728        | \$570,953        |
| Charges for Services  | 1,184,303        | 1,058,576        |
| Sales   | 34,377           | 38,709           |
| Earnings on Investments   | 7,852            | 13,428           |
| Miscellaneous   | 11,238           | 38,700           |
| Total Cash Receipts   | 1,893,498        | 1,720,366        |
| <b>Cash Disbursements:</b>  |                  |                  |
| Current:  |                  |                  |
| Employees' Salaries   | 693,287          | 614,029          |
| Fringe Benefits   | 251,352          | 226,607          |
| Purchased Services  | 774,592          | 663,566          |
| Supplies and Materials  | 40,430           | 76,795           |
| Other   | 21,550           | 24,061           |
| Capital Outlay  | 146,979          | 153,590          |
| Total Cash Disbursements  | 1,928,190        | 1,758,648        |
| Total Cash Receipts (Under) Cash Disbursements                                  | (34,692)         | (38,282)         |
| <b>Other Financing Receipts:</b>  |                  |                  |
| Refund of Prior Year Expenditures   |                  | 158              |
| Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements | (34,692)         | (38,124)         |
| Fund Cash Balances, July 1  | 473,991          | 512,115          |
| <b>Fund Cash Balances, June 30</b>  | <b>\$439,299</b> | <b>\$473,991</b> |
| Reserves for Encumbrances, June 30  | \$13,103         | \$60,076         |

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

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**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Heartland Council of Governments, Richland County, Ohio, (the COG) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Eligibility for membership in the COG includes 15 local school districts, one educational service center, and one career technology center. 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. 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 earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**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, 2003 and 2002 was \$439,299 and \$473,991, 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 which is used to account for all financial resources.

**E. Budgetary Process**

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

A summary of 2003 and 2002 budgetary activity appears in Note 2.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002  
(Continued)**

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the COG's basis of accounting.

**H. Related Party Transactions**

The COG rents office space from one of its members, the Mid-Ohio Educational Service Center. The rent is paid quarterly, totaling \$16,613 for each year.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ended June 30, 2003 and 2002 follows:

| 2003 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$1,271,300          | \$1,893,498        | \$622,198 |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$2,360,077                | \$1,941,293               | \$418,784 |

| 2002 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$864,000            | \$1,720,524        | \$856,524 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$2,204,517                | \$1,818,724               | \$385,793 |

**3. RETIREMENT SYSTEMS**

The COG provides retirement benefits to all certificated employees under the State Teachers' Retirement System and to all non-certified employees under the School Employees Retirement System.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002  
(Continued)**

**3. RETIREMENT SYSTEMS (Continued)**

**A. State Teachers Retirement System**

The COG 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the COG is required to contribute 14 percent. 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 percent for employers.

**B. School Employees Retirement System**

The COG also 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, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary, and the COG is required to contribute 14 percent. 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 COG pays an additional 14 percent 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."

**4. RISK MANAGEMENT**

The COG has general liability coverage through the Pioneer Career and Technology Center (the Center). The COG also provides health insurance and dental and vision coverage to full-time employees through Gallagher Benefits Administrators, Inc. through the Center.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
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 accompanying financial statements of the Heartland Council of Governments, Richland County, Ohio, (the COG) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated October 24, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the COG'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 audit 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*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the COG in a separate letter dated October 24, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the COG'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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the COG in a separate letter dated October 24, 2003.

Heartland Council of Governments  
Richland County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and the Members of the Board, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

October 24, 2003



**Auditor of State  
Betty Montgomery**

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800-282-0370  
Facsimile 614-466-4490

**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  
DECEMBER 4, 2003**