



**Auditor of State
Betty Montgomery**

MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2003 and 2002. 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 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 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, 2003 and 2002, 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 19, 2003, 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 audit.

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

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

Betty Montgomery
Auditor of State

September 19, 2003

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

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

	2003	2002
Cash Receipts:		
Intergovernmental	\$1,142,161	\$1,168,425
Charges for Services	2,042,405	1,755,662
Earnings on Investments	11,777	20,584
Other Revenue	33,341	23,145
 Total Cash Receipts	 3,229,684	 2,967,816
Cash Disbursements:		
Current:		
Salaries	1,153,623	1,028,413
Employee Benefits	375,392	307,395
Purchased Services	766,464	1,179,437
Materials and Supplies	274,788	14,940
Distribution to Member Districts	179,280	174,913
Other	15,302	12,177
Debt Service:		
Redemption of Principal	154,084	75,499
Interest and Fiscal Charges	13,336	7,901
Capital Outlay	171,667	136,107
 Total Cash Disbursements	 3,103,936	 2,936,782
 Total Receipts Over Disbursements	 125,748	 31,034
Other Financing Receipts:		
Refund of Prior Year Expenditures	2,632	
Sale of Fixed Assets		2,050
 Total Other Financing Receipts	 2,632	 2,050
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	 128,380	 33,084
 Fund Cash Balances, July 1	 841,915	 808,831
 Fund Cash Balances, June 30	 \$970,295	 \$841,915
 Reserves for Encumbrances, June 30	 \$205,758	 \$529,219

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

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**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Midland Council of Governments, Wayne County, Ohio, (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 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 2003 and 2002 budgetary activity appears in Note 3.

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE 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 Council's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2003 and 2002, was as follows:

	2003	2002
Demand deposits	(\$228,305)	(\$330,808)
STAR Ohio	598,600	1,032,723
Repurchase agreement	600,000	140,000
Total investments	1,198,600	1,172,723
Total deposits and investments	\$970,295	\$841,915

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

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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,718,141	\$3,232,316	\$514,175
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,488,209	\$3,309,694	\$178,515

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,429,874	\$2,969,866	\$539,992

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,473,331	\$3,466,001	\$7,330

4. RETIREMENT SYSTEMS

The Council 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.

A. State Teachers Retirement System

The Council 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 Council 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 Council 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.

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

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

4. RETIREMENT SYSTEMS (Continued)

B. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary, and the Council 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 Council 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."

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- 7 Comprehensive property and general liability;
- 7 Vehicles;
- 7 Commercial inland marine;
- 7 General liability;
- 7 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 Educational Service Center, Wayne County, Ohio, serves as the fiscal agent for the Council and provides certain accounting and administrative services to the Council.

7. CAPITAL LEASES

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 cost of \$227,945. 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 Council entered into a lease purchase agreement with Fifth Third Bank on September 25, 2002. The Council is leasing a computer networking equipment with a cost of \$309,367. The lease is for a period of 36 months with an interest rate of 4.82%. Monthly payments are \$9,247 with final payment due September 25, 2005.

The Council entered into a lease purchase agreement with GFC Leasing on May 19, 2003. The Council is leasing a copier with a cost of \$12,429. The lease is for a period of 36 months with an interest rate of 9.6%. Monthly payments are \$399 with final payment due April 20, 2006.

MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY

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

7. CAPITAL LEASES (Continued)

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2003:

<u>Year Ended June 30</u>	<u>Amount</u>
2004	\$122,699
2005	115,749
2006	<u>31,728</u>
Total minimum lease payments	<u>270,176</u>
Less: amount representing interest	<u>(15,275)</u>
Present value of future minimum lease payments	<u>\$254,901</u>

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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, 2003 and 2002, and have issued our report thereon dated September 19, 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 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 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 19, 2003.

Midland Council of Governments
Wayne County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of management and the Executive Committee, 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

September 19, 2003



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 6, 2003**