



**Auditor of State  
Betty Montgomery**



STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY

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**Auditor of State  
Betty Montgomery**

Stark Council of Governments  
Stark County  
5320 Bridgecreek Avenue, NW  
Canton, Ohio 44718

To the Executive Committee:

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 a February 2, 2005 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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 15, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Stark Council of Governments  
Stark County  
5320 Bridgecreek Avenue, NW  
Canton, Ohio 44718

To the Executive Committee:

We have audited the accompanying financial statements of the Stark Council of Governments, Stark County, Ohio, (the SCOG) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the SCOG'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, the SCOG 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.

Revisions to GAAP would require the SCOG to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the SCOG does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The SCOG has elected not to reformat its statements. Since this SCOG does not use GAAP to measure financial statement amounts, 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, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the SCOG as of December 31, 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserves for encumbrances of the Stark County Council of Governments, Stark County, as of December 31, 2004 and 2003, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the SCOG to include Management's Discussion and Analysis for the years ended December 31, 2004. The SCOG 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 August 15, 2005, on our consideration of the SCOG'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*. We recommend that it be read in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 15, 2005



**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental Receipts	\$1,480,361		\$1,480,361
Investment Income	4,636		4,636
Other Receipts	882		882
<b>Total Cash Receipts</b>	<u>1,485,879</u>		<u>1,485,879</u>
<b>Cash Disbursements:</b>			
Supplies	75,367	\$11,660	87,027
Purchased Services	412,391		412,391
Other Allocations	690,128	19,600	709,728
Capital Outlay	43,840		43,840
<b>Total Cash Disbursements</b>	<u>1,221,726</u>	<u>31,260</u>	<u>1,252,986</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>264,153</u>	<u>(31,260)</u>	<u>232,893</u>
Fund Cash Balances, January 1	<u>509,775</u>	<u>235,398</u>	<u>745,173</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$773,928</b></u>	<u><b>\$204,138</b></u>	<u><b>\$978,066</b></u>
Reserves for Encumbrances, December 31	<u>\$392,131</u>	<u>\$19,507</u>	<u>\$411,638</u>

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

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental Receipts	\$939,609	\$110,000	\$1,049,609
Investment Income	7,643		7,643
Other Receipts	17,184		17,184
<b>Total Cash Receipts</b>	<u>964,436</u>	<u>110,000</u>	<u>1,074,436</u>
<b>Cash Disbursements:</b>			
Supplies	66,038	9,494	75,532
Purchased Services	418,259		418,259
Other Allocations	654,495	15,108	669,603
Capital Outlay	10,154		10,154
<b>Total Cash Disbursements</b>	<u>1,148,946</u>	<u>24,602</u>	<u>1,173,548</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(184,510)</u>	<u>85,398</u>	<u>(99,112)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Advances-In		150,000	150,000
Advances-Out	(150,000)		(150,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(150,000)</u>	<u>150,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(334,510)	235,398	(99,112)
Fund Cash Balances, January 1	<u>844,285</u>		<u>844,285</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$509,775</b></u>	<u><b>\$235,398</b></u>	<u><b>\$745,173</b></u>
Reserves for Encumbrances, December 31	<u><u>\$200,463</u></u>	<u><u>\$9,000</u></u>	<u><u>\$209,463</u></u>

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

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Stark Council of Governments, Stark County, Ohio, (the SCOG) is established by its member political subdivisions as a regional council under Chapter 167 of the Ohio Revised Code for the purpose of providing a permanent forum for discussion and study of concerns of the county, cities, villages and townships for development of policies and programs for implementation by one or more of the local governing bodies. The SCOG operates under the direction of a nine member Executive Committee, which is elected by the General Membership of the SCOG. The General Membership consists of one representative designated by each political subdivision. The SCOG's current functions include but are not limited to the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab.

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

**B. Basis of Accounting**

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

**C. Cash and Investments**

The Stark County Auditor acts as the fiscal agent for the SCOG and the County Treasurer maintains a cash and investment pool, including all funds for which the County Auditor is the fiscal agent. The County Treasurer also maintains an investment in STAR Ohio (the State Treasurer's investment pool) for the SCOG which is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The SCOG uses fund accounting to segregate cash and investments that are restricted as to use. The SCOG classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**2. Special Revenue Fund**

This fund accounts for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The SCOG had the following significant Special Revenue Fund:

*DNA Backlog Reduction Programs Fund* – The SCOG received a grant from the National Institute of Justice to assist in identifying and submitting no-suspect cases to reduce backlog of no-suspect cases.

**E. Budgetary Process**

**1. Appropriations**

According to the bylaws of the SCOG, the General Membership shall adopt an appropriation resolution for each calendar year on or before December 31 of the preceding year. The annual appropriation shall not exceed the Certificate of Estimated Resources received from the Stark County Budget Commission.

**2. Encumbrances**

The SCOG reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and are not reappropriated.

A summary of 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

Stark County, the fiscal agent for the SCOG, maintains a cash and investment pool used by all funds, including the SCOG. The County also maintains a separate STAR Ohio account for SCOG. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amounts of cash at December 31, was as follows:

	2004	2003
Deposits with County Treasurer	\$653,337	\$231,915
STAR Ohio	324,729	513,258
Total Deposits and Investments	\$978,066	\$745,173

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,285,199	\$1,485,879	\$200,680
Special Revenue	35,000	0	(35,000)
Total	\$1,320,199	\$1,485,879	\$165,680

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,536,609	\$1,613,857	(\$77,248)
Special Revenue	170,500	50,767	119,733
Total	\$1,707,109	\$1,664,624	\$42,485

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$922,693	\$964,436	\$41,743
Special Revenue	150,000	110,000	(40,000)
Total	\$1,072,693	\$1,074,436	\$1,743

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,481,904	\$1,499,409	(\$17,505)
Special Revenue	150,000	33,602	116,398
Total	\$1,631,904	\$1,533,011	\$98,893

**4. RISK MANAGEMENT**

**Risk Pool Membership**

The SCOG 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local 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, 2004 and 2003:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>
 <u>Property Coverage</u>	 <u>2004</u>	 <u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

**5. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State  
Betty Montgomery**

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

Stark Council of Governments  
Stark County  
5320 Bridgecreek Avenue, NW  
Canton, Ohio 44718

To the Executive Committee:

We have audited the financial statements of the Stark Council of Governments, Stark County, Ohio, (the SCOG) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 15, 2005, wherein we noted the SCOG followed accounting practices the Auditor of State prescribes 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 the SCOG's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the SCOG'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*.

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Stark Council of Governments  
Stark County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and the Executive Committee. It is not intended for 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

August 15, 2005





**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

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**STARK COUNCIL OF GOVERNMENTS**

**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  
SEPTEMBER 29, 2005**