

***MIDLAND COUNCIL OF GOVERNMENTS***

**WAYNE COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended June 30, 2011 & 2010**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Executive Committee  
Midland Council of Governments  
2125-B Eagle Pass Road  
Wooster, Ohio 44691

We have reviewed the *Report of Independent Accountants* of the Midland Council of Governments, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2009 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Midland Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 9, 2011

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**MIDLAND COUNCIL OF GOVERNMENTS**  
**WAYNE COUNTY, OHIO**  
**Audit Report**  
**For the years ended June 30, 2011 & 2010**

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***Charles E. Harris & Associates, Inc.***  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Executive Committee:

We have audited the accompanying financial statements of the Midland Council of Governments (Council), as of and for the years ended June 30, 2011 and 2010. 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 described more fully in Note 1, the Council prepares 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2011 and 2010. While the Council 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 Council has elected not to reformat its statements. Since the Council 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 June 30, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2011 and 2010, 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 combined fund cash balances and reserve for encumbrances of the Council as of June 30, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the years ended June 30, 2011 and 2010. The Council 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 its financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 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 agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Charles E. Harris & Associates, Inc.  
October 31, 2011

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - GENERAL FUND  
For the Year Ended June 30, 2011**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Intergovernmental	\$ 487,399
Charges for Services	3,458,853
Earnings on Investments	835
Other Revenue	8,928
<b>Total Cash Receipts</b>	<b>3,956,015</b>
<b>Cash Disbursements:</b>	
Salaries	1,532,205
Employee Benefits	542,877
Purchased Services	837,577
Materials and Supplies	566,019
Distributions to Member Districts	64,924
Capital Outlay	170,569
<b>Debt Service:</b>	
Redemption of Principal	185,228
Interest and Fiscal Charges	10,556
<b>Total Cash Disbursements</b>	<b>3,909,955</b>
<b>Cash Receipts Over/(Under) Cash Disbursements</b>	<b>46,060</b>
<b>Fund Balance, July 1, 2010</b>	<b>1,035,018</b>
<b>Fund Balance, June 30, 2011</b>	<b>\$ 1,081,078</b>
<b>Reserve for Encumbrances, June 30, 2011</b>	<b>\$ 184,107</b>

See accompanying Notes to the Financial Statements.

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - GENERAL FUND  
For the Year Ended June 30, 2010**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Intergovernmental	\$ 398,910
Charges for Services	3,534,767
Earnings on Investments	1,013
Other Revenue	2,414
<b>Total Cash Receipts</b>	<b>3,937,104</b>
<b>Cash Disbursements:</b>	
Salaries	1,522,091
Employee Benefits	542,057
Purchased Services	917,942
Materials and Supplies	515,265
Distributions to Member Districts	60,885
Capital Outlay	91,469
<b>Debt Service:</b>	
Redemption of Principal	179,955
Interest and Fiscal Charges	18,728
<b>Total Cash Disbursements</b>	<b>3,848,392</b>
<b>Cash Receipts Over/(Under) Cash Disbursements</b>	<b>88,712</b>
<b>Fund Balance, July 1, 2009</b>	<b>946,306</b>
<b>Fund Balance, June 30, 2010</b>	<b>\$ 1,035,018</b>
<b>Reserve for Encumbrances, June 30, 2010</b>	<b>\$ 92,676</b>

**See accompanying Notes to the Financial Statements.**

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For the Years Ended June 30, 2011 & 2010**

**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 21 school districts, of which one is an educational service center, and two are career centers in Wayne, Ashland, Holmes and Medina counties. 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. Disbursements are recognized when they are 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**

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. Following are descriptions of the Council's funds:

**1. General Fund**

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

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For the Years Ended June 30, 2011 & 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**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 2011 and 2010 budgetary activity appears in Note 2.

**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 Council's basis of accounting.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2011 and 2010 is as follows:

2011 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 3,852,556	\$ 3,956,015	\$ 103,459

2011 Budget vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 4,022,399	\$ 4,094,062	\$ (71,663)

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For the Years Ended June 30, 2011 & 2010**

**2. BUDGETARY ACTIVITY – (continued)**

2010 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 3,864,132	\$ 3,937,104	\$ 72,972

2010 Budget vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 3,977,165	\$ 3,941,068	\$ 36,097

**3. 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, 2009 and 2008 was as follows:

	2011	2010
Demand Deposits	\$ (88,515)	\$ (16,087)
STAR-Ohio	1,049,518	926,030
Repurchase Agreement	120,000	125,000
Petty Cash	75	75
<b>Total Deposits &amp; Investments</b>	<b>\$ 1,081,078</b>	<b>\$ 1,035,018</b>

The Council had negative balances in their demand deposits at June 30, 2011 and 2010 due to the funds being invested in overnight repurchase agreements.

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Council or (3) 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.

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For the Years Ended June 30, 2011 & 2010**

**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 10 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.

Plan members are required to contribute 10 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."

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For the Years Ended June 30, 2011 & 2010**

**5. RISK MANAGEMENT**

The Council participates in the Schools of Ohio Risk Sharing Authority Board (SORSA). SORSA is an Ohio non-profit organization formed by Ohio school districts to provide cost effective pooled insurance to its members. SORSA is a self-funded, group insurance consortium that offers property, electronic data processing, boiler and machinery, crime, general liability, automobile liability and physical damage, and school board errors and omissions insurance coverage. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

Financial Position – Schools of Ohio Risk Sharing Authority Board’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at June 30, 2010 and 2009:

	2010	2009
Assets	\$ 2,613,900	\$ 2,906,081
Liabilities	(1,609,952)	(1,757,783)
Net Assets	\$ 1,003,948	\$ 1,148,298

The complete audited financial statements for the Schools of Ohio Risk Sharing Authority Board are available at the Board’s website, [www.sorsaschools.org](http://www.sorsaschools.org). Settled claims have not exceeded this commercial coverage in any of the last three years and coverages have not decreased in the past year.

The Council also provides health insurance and dental and vision coverage to full-time employees through the Tri-County Educational Service Center 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**

Capital leases outstanding at June 30, 2011 were as follows:

Key Government Financing Lease	Principal	Interest Rate
Agreement signed on 06/15/09	\$ 113,503	2.44%

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For the Years Ended June 30, 2011 & 2010**

**7. CAPITAL LEASES – (continued)**

On June 15, 2009, the Council entered into a lease purchase agreement for computer equipment with Key Government Finance with a total acquisition cost of \$325,000. The lease is for a period of 36 months with an interest rate of 2.44%. Monthly payments are \$9,689 with final payment due on June 15, 2012.

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, 2011:

<u>Year Ending June 30</u>	<u>Maturity -June 2012</u>
2012	\$ 116,273
Total Minimum Lease Payments	116,273
Less Amount Representing Interest	<u>(2,770)</u>
Present Value of Future Lease Payments	<u>\$ 113,503</u>

**8. CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

To the Executive Committee:

We have audited the financial statements of the Midland Council of Governments, Wayne County, Ohio (Council) as of and for the years ending June 30, 2011 and 2010, and have issued our report thereon dated October 31, 2011 wherein we noted the Council 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

**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, 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 or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Council in a separate letter dated October 31, 2011.

We intend this report solely for the information and use of management, the Executive Committee, and others within the Council. We intend it for no one other than these specified parties.

*Charles E. Harris and Associates*

*Charles E. Harris and Associates, Inc.*

October 31, 2011

**MIDLAND COUNCIL OF GOVERNMENTS  
WAYNE COUNTY  
For the Years Ended June 30, 2011 & 2010**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The audit report, for the years ending June 30, 2009 and 2008, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**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  
DECEMBER 22, 2011**