

CLEARWATER COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010





# Dave Yost • Auditor of State

Clearwater Council of Governments  
235 N. Toussaint South Road  
Oak Harbor, Ohio 43449

We have reviewed the *Independent Auditors' Report* of the Clearwater Council of Governments, Ottawa County, prepared by Weber O'Brien Ltd., for the audit period January 1, 2010 through December 31, 2010. 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.

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 Clearwater 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

March 28, 2012

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## CLEARWATER COUNCIL OF GOVERNMENTS

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## INDEPENDENT AUDITORS' REPORT

Clearwater Council of Governments  
235 N. Toussaint South Road  
Oak Harbor, OH 43449

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clearwater Council of Governments ("Council") as of and for the year ended December 31, 2010, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

As discussed in Note 1, Clearwater Council of Governments prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Clearwater Council of Governments as of December 31, 2010, and the respective changes in the modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.



In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clearwater Council of Governments financial statements as a whole. The schedule of general and administrative disbursements is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of general and administrative disbursements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements as a whole.



January 10, 2012



**Clearwater Council of Governments  
Management's Discussion and Analysis  
For Year Ended December 31, 2010  
Unaudited**

The following discussion and analysis provides a summary overview of the financial activities of Clearwater Council of Governments ("Council") for the year ended December 31, 2010, within the limitations of the Council's modified cash basis of accounting. This information should be read in conjunction with the basic financial statements and notes included in this report.

**Financial Highlights**

Net assets of governmental activities increased \$569,222 or 11%. This increase is mainly attributable to receiving approximately \$657,000 in waiver reconciliation money from the State of Ohio that was unanticipated with no related increase in disbursements. The Council's program receipts are primarily received from the State of Ohio. These receipts represent 54% of the total cash received for governmental activities during the year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Council's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Council as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Council as a way to segregate money whose use is restricted to a particular specified purpose. The Council uses only a general fund to report its activities.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Council has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Council's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**Clearwater Council of Governments  
Management's Discussion and Analysis, Continued  
For Year Ended December 31, 2010  
Unaudited**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Council as a Whole**

The statement of net assets and the statement of activities reflect how the Council did financially during 2010, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balance, investments and capital assets of the governmental activities of the Council at year end. The statement of activities compares cash disbursements and program receipts for each program or function of the Council's governmental activities. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self financing on a modified cash basis or draws from the general receipts of the Council.

These statements report the Council's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Council's financial health. Over time, increases or decreases in the Council's cash position is one indicator of whether the Council's financial health is improving or deteriorating. When evaluating the Council's financial condition, you should also consider other nonfinancial factors as well.

**Reporting the Council's Most Significant Funds**

Fund financial statements provide detailed information about the Council's major funds – not the Council as a whole. The Council establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The only funds of the Council are the governmental funds.

Governmental Funds - The Council's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Council's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Council's programs. Significant governmental funds are presented on financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate



**Clearwater Council of Governments  
Management's Discussion and Analysis, Continued  
For Year Ended December 31, 2010  
Unaudited**

reporting) is combined and presented in total in a single column. The Council's only governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Council as a Whole**

Table 1 provides a summary of the Council's net assets for 2010 compared to 2009 on the modified cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Cash	\$ 118,327	\$ 53,969	\$ 64,358	119%
Investments	5,675,547	5,164,949	510,598	10%
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>23,352</u>	<u>29,086</u>	( <u>5,734</u> )	(20%)
<b>Total Assets</b>	<u>\$5,817,226</u>	<u>\$5,248,004</u>	<u>\$569,222</u>	11%
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	\$ 23,352	\$ 29,086	(\$ 5,734)	(20%)
Unrestricted/Undesignated	<u>5,793,874</u>	<u>5,218,918</u>	<u>574,956</u>	11%
<b>Total Net Assets</b>	<u>\$5,817,226</u>	<u>\$5,248,004</u>	<u>\$569,222</u>	11%

As mentioned previously, net assets of governmental activities increased \$569,222, or 11% during 2010. The primary reasons contributing to this increase are as follows:

- The 119% increase in cash is due to cash flow timing of receipts and disbursements and the excess amount of receipts over disbursements for the year minus purchases of investments and capital assets.
- The 10% increase in investments is due to the Council receiving approximately \$657,000 in waiver reconciliation money from the State of Ohio that was unanticipated and used to purchase additional certificates of deposit.
- The 20% decrease in capital assets is mostly due to assets being depreciated.

**Clearwater Council of Governments  
Management's Discussion and Analysis, Continued  
For Year Ended December 31, 2010  
Unaudited**

Table 2 reflects the changes in net assets on the modified cash basis in 2010 and 2009 for governmental activities.

(Table 2)  
**Changes in Net Assets**

	<u>Governmental Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Receipts</b>				
Program Receipts:				
Waiver Revenue	\$1,442,814	\$2,605,483	(\$1,162,669)	(45%)
Other Revenue	462,449	430,037	32,412	8%
Medicaid	289,286	154,135	135,151	88%
Supported Living Revenue	267,066	181,886	85,180	47%
Administrative Fees	-0-	1,275	( 1,275)	(100%)
Total Program Receipts	<u>2,461,615</u>	<u>3,372,816</u>	( 911,201)	(27%)
General Receipts:				
Interest Revenue	<u>23,176</u>	<u>15,376</u>	<u>7,800</u>	51%
<b>Total Receipts</b>	2,484,791	3,388,192	( 903,401)	(27%)
<b>Disbursements:</b>				
Program	1,833,572	1,359,526	474,046	35%
Administrative	<u>81,997</u>	<u>95,032</u>	( 13,035)	(14%)
<b>Total Disbursements</b>	<u>1,915,569</u>	<u>1,454,558</u>	<u>461,011</u>	32%
<b>Change in Net Assets</b>	<u>\$ 569,222</u>	<u>\$1,933,634</u>	<u>(\$1,364,412)</u>	(71%)

For the year ended December 31, 2010:

- The 45% decrease in Waiver Revenue is due to the Council receiving one year (fiscal year 2008) of waiver reconciliation money from the State of Ohio in 2010 versus receiving two years (fiscal years 2006 and 2007) in 2009 which accounts for approximately \$1,180,000 less in waiver reconciliation money received in 2010.
- The 88% increase in Medicaid Revenue is partly due to receiving two quarters (January-June 2010) of Medicaid Administrative Claiming (MAC) income in 2010 compared to one quarter (January-March 2009) in 2009 which is an increase of approximately \$74,000. There is a limit on the amount of funds available to be paid by the State of Ohio for MAC billings and therefore the Council usually receives

**Clearwater Council of Governments  
Management's Discussion and Analysis, Continued  
For Year Ended December 31, 2010  
Unaudited**

reimbursement for only one to two quarters per calendar year for MAC billings. There was also an increase in Targeted Case Management (TCM) monies received in 2010 from the counties of approximately \$61,000 due to counties paying the Council for previous years' services provided.

- The 47% increase in Supported Living Revenue is due primarily to receiving the supported living reimbursement for 2009 services in 2010 from two counties.
- The 51% increase in Interest Revenue is due to interest received on matured CD's in 2010. No CD's matured in 2009.
- The 35% increase in Program Disbursements is due primarily to one county having the Council pay the County Board approximately \$393,000 in 2010 for non-waiver day services provided in 2009 and 2010. There was also an increase in Medicaid and Supported Living expenses due to an increase in funding received for 2010 provided by the State of Ohio which allowed more services to be provided for these programs.
- The 14% decrease in Administrative Disbursements is due primarily to the increase of Medicaid expenses and the reclassification of these costs as Program Disbursements.

During 2010, the Council reviewed and changed its method of allocating disbursements between program (community support) and general and administrative. Management believes its new method of measurement and presentation better reflects the operations of the Council and is reasonable and fairly presents these disbursements. The 2009 disbursements have been reclassified to conform to the 2010 method of measurement and presentation.

**General Fund**

General fund net assets increased \$574,956 in 2010.

**Capital Assets**

At December 31, 2010, the Council had \$23,352 (net of accumulated depreciation) invested in capital assets for governmental activities.

**Economic Factors**

It should be noted that future receipts could be reduced due to the possibility of state budget cuts.

**Clearwater Council of Governments  
Management's Discussion and Analysis, Continued  
For Year Ended December 31, 2010  
Unaudited**

**Contacting the Council's Financial Management**

This financial report is designed to provide a general overview of the Council's finances and to reflect the Council's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be addressed to the Director of Fiscal Operations, Clearwater Council of Governments, 235 N. Toussaint South Road, Oak Harbor, OH 43449, or by telephone at (419) 898-8264.



CLEARWATER COUNCIL OF GOVERNMENTS  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
December 31, 2010

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 118,327
Investments	5,675,547
Depreciable Capital Assets, Net of Accumulated Depreciation	23,352
<b>TOTAL ASSETS</b>	<b>\$ 5,817,226</b>
 <b>NET ASSETS</b>	
Invested in Capital Assets	\$ 23,352
Unrestricted	5,793,874
<b>TOTAL NET ASSETS</b>	<b>\$ 5,817,226</b>

"The Accompanying Notes are an Integral  
Part of These Financial Statements"



CLEARWATER COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
Year Ended December 31, 2010

	Cash <u>Disbursements</u>	Program Cash Receipts <u>Charges for Services</u>	Net (Disbursements) Receipts and Changes <u>in Net Assets</u>
GOVERNMENTAL ACTIVITIES			
Community Support	\$ 1,833,572	\$ 2,357,650	\$ 524,078
General and Administrative	<u>81,997</u>	<u>103,965</u>	<u>21,968</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,915,569</u>	<u>\$ 2,461,615</u>	546,046

General Receipts	
Interest	<u>23,176</u>
Total General Receipts	<u>23,176</u>

Change in Net Assets	569,222
Net Assets Beginning of Year	<u>5,248,004</u>
Net Assets End of Year	<u>\$ 5,817,226</u>

"The Accompanying Notes are an Integral  
Part of These Financial Statements"

CLEARWATER COUNCIL OF GOVERNMENTS  
 STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCE  
 GOVERNMENTAL FUNDS  
 December 31, 2010

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 118,327
Investments	<u>5,675,547</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,793,874</u></u>
 <b>FUND BALANCE</b>	
Unreserved	<u>\$ 5,793,874</u>
<b>TOTAL FUND BALANCE</b>	<u><u>\$ 5,793,874</u></u>

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CLEARWATER COUNCIL OF GOVERNMENTS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
December 31, 2010

Total Governmental Fund Balance \$ 5,793,874

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital Assets used in governmental activities are not  
financial resources and therefore are not reported in the fund. 23,352

Net Assets of Governmental Activities \$ 5,817,226

"The Accompanying Notes are an Integral  
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CLEARWATER COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2010

	<u>General Fund</u>
<b>RECEIPTS</b>	
Waiver Revenue	\$ 1,442,814
Other Revenue	462,449
Medicaid	289,286
Supported Living Revenue	267,066
Interest Revenue	23,176
<b>TOTAL RECEIPTS</b>	2,484,791
 <b>DISBURSEMENTS</b>	
Program	1,828,125
Administrative	81,710
<b>TOTAL DISBURSEMENTS</b>	1,909,835
<b>NET CHANGE IN FUND BALANCE</b>	574,956
<b>FUND BALANCE - BEGINNING OF YEAR</b>	5,218,918
<b>FUND BALANCE - END OF YEAR</b>	\$ 5,793,874

"The Accompanying Notes are an Integral  
Part of These Financial Statements"

CLEARWATER COUNCIL OF GOVERNMENTS  
RECONCILIATION OF NET CHANGE IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE CHANGE IN NET  
ASSETS OF GOVERNMENTAL ACTIVITIES  
Year Ended December 31, 2010

Net Change in Fund Balance - Total Governmental Funds \$ 574,956

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives as depreciation expense.  
This is the amount by which depreciation exceeded capital outlays  
in the current period.

( 5,734 )

Change in Net Assets of Governmental Activities \$ 569,222

"The Accompanying Notes are an Integral  
Part of These Financial Statements"

CLEARWATER COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND NET ASSETS  
FIDUCIARY FUND  
Year Ended December 31, 2010

	<u>Agency</u>
<b>RECEIPTS</b>	
Receipts on behalf of social security beneficiaries	\$ 3,270
<b>DISBURSEMENTS</b>	
Disbursements on behalf of social security beneficiaries	<u>1,288</u>
<b>NET CHANGE IN NET ASSETS</b>	1,982
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>-0-</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,982</u></u>

"The Accompanying Notes are an Integral  
Part of These Financial Statements"

CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Clearwater Council of Governments ("Council") was organized in 1996 under Chapter 167 of the Ohio Revised Code. The Council is authorized to administer programs on behalf of the following nine county boards of developmental disabilities in North-Central Ohio: Crawford, Erie, Huron, Marion, Morrow, Ottawa, Sandusky, Seneca and Wyandot. The Council, pursuant to its bylaws, contracts for services with providers for the use of funds for specific programs awarded from the State of Ohio and is responsible for monitoring the use of the funds by such providers.

The Council, being a public body, is tax exempt under the laws of Ohio.

**Basis of Presentation**

The financial statements of the Council are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from generally accepted accounting principles (GAAP) in the United States. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent applicable to the modified cash basis of accounting. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Council's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

During 2010, the Council reviewed and changed its method of allocating disbursements between program (community support) and general and administrative. Management believes its new method of measurement and presentation better reflects the operations of the Council and is reasonable and fairly presents these disbursements.

*Government-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the Council as a whole. These statements include the financial activities of the Council including depreciation of capital assets.



CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Basis of Presentation, Continued**

*Government-Wide Financial Statements, Continued*

The statement of net assets presents the cash balance, investments and capital assets of the governmental activities of the Council at year end. The statement of activities compares disbursements and program receipts for each program or function of the Council's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Council is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the Council, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self financing on a modified cash basis or draws from the general receipts of the Council.

*Fund Financial Statements*

During the year, the Council segregates transactions related to certain Council functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Council at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

*Fund Accounting*

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council has one governmental fund and one fiduciary fund.

CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Basis of Presentation, Continued**

*Governmental Funds*

Governmental funds are those through which most governmental functions of the Council are financed. The following is the Council's only governmental fund:

General - The General Fund accounts for all financial resources of the Council, except those required to be accounted for in another fund. The primary financial resources are State of Ohio and other funding.

*Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. The agency fund is the Council's only fiduciary fund. The agency fund is purely custodial in nature and is used to account for assets held by the Council for county boards of developmental disabilities for which the County acts as fiscal agent.

**Basis of Accounting**

The Council's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Council are described in the appropriated section of this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**Budgetary Process**

The Council is not required to prepare a budget in accordance with the Ohio Revised Code. Accordingly, a statement of actual to budget has not been included in these financial statements.

**Cash and Investments**

The Council considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Cash and Investments, Continued**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2010, the Council invested in certificates of deposit, federal agency securities, money market funds, and STAR Ohio. The Council's certificates of deposit are recorded at cost and federal agency securities are recorded at amortized cost. The Council's money market fund investments are recorded at the amount reported by Merrill Lynch at December 31, 2010. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Interest receipts credited to the General Fund during 2010 was \$23,176.

**Capital Assets**

The Council's general capital assets are capital assets which are associated with and arise from governmental activities. They result from disbursements from the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statements of net assets but are not reported in the fund financial statements.

Capital Assets in excess of \$500, that provide a future benefit to the Council, are capitalized at cost. Depreciation has been provided on a straight-line basis over estimated lives of 5 years.

**Accumulated Leave**

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

**Employer Contributions to Cost-Sharing Pension Plans**

The Council recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 4 and 5, the employer contributions include portions for pension benefits and for postretirement health care benefits.

CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Long-Term Obligations**

The Council's modified cash basis financial statements do not report long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**Net Assets**

Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

**Fund Balance Reserves**

The Council reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**Estimates**

The modified cash basis of accounting used by the Council requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**Subsequent Events**

Management has evaluated events and transactions from December 31, 2010 through January 10, 2012, for possible recognition or disclosure in these financial statements. This date is the date these financial statements were available to be issued. Management concluded there were no subsequent events requiring recognition or disclosure.

**NOTE 2 - CASH AND INVESTMENTS**

There are no legal restrictions on the Council's investments or deposits. However, the Council has adopted as their investment policy the legal restrictions imposed by the Ohio Revised Code on certain political subdivisions.

Monies held by the Council are classified into three categories.



CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

NOTE 2 - CASH AND INVESTMENTS, Continued

Active monies are monies determined to be necessary to meet current demands upon the Treasury. Active monies must be maintained either as cash in the Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are deposits that the Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in eligible institutions. Such deposits are to be awarded to the depository offering to pay the highest permissible rate of interest. The treasurer or the board is to determine the periods for which such deposits are to be made;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 1. and 2. above and repurchase agreements secured by such obligations; and
6. The State Treasurer's investment pool (STAR Ohio).

CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

**NOTE 2 - CASH AND INVESTMENTS, Continued**

The Council may also enter into overnight or term repurchase agreements consisting of an agreement to repurchase any of the securities listed in 1. or 2. above.

**Depository Credit Risk**

As of December 31, 2010, the carrying amount of the Council's deposits was \$120,309, and the bank balance was \$133,577. Of the bank balance, \$133,577 is insured by the Federal Deposit Insurance Corporation.

**Investments**

As of December 31, 2010 the Council had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Carrying Value</u>
STAR Ohio	N/A	\$3,175,920
U. S. Treasury Note	08/31/2012	187,672
Federal Agency Securities		
Federal Home Loan Bank Bond	02/18/2011	100,046
Federal Home Loan Bank Bond	08/19/2011	174,562
Federal Home Loan Bank Bond	03/09/2012	63,165
Federal Home Loan Bank Bond	06/08/2012	60,693
Federal Home Loan Bank Bond	10/10/2012	188,662
Certificates of Deposit		
Certificate of Deposit	04/30/2011	100,000
Certificate of Deposit	05/01/2011	100,000
Certificate of Deposit	08/31/2011	100,000
Certificate of Deposit	10/30/2011	100,000
Certificate of Deposit	05/01/2012	100,000
Certificate of Deposit	05/26/2012	100,000
Certificate of Deposit	05/26/2012	100,000
Certificate of Deposit	10/24/2012	100,000
Certificate of Deposit	10/25/2012	100,000
Certificate of Deposit	11/10/2012	100,000
Certificate of Deposit	02/21/2013	100,000
Certificate of Deposit	02/28/2013	100,000
Certificate of Deposit	04/25/2013	100,000
Certificate of Deposit	04/26/2013	100,000
Certificate of Deposit	10/25/2013	100,000
Certificate of Deposit	10/25/2013	100,000
Certificate of Deposit	11/10/2013	100,000
Money Market Funds	N/A	<u>24,827</u>
Total Investments		<u>\$5,675,547</u>

CLEARWATER COUNCIL OF GOVERNMENTS  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 Year Ended December 31, 2010

**NOTE 2 - CASH AND INVESTMENTS, Continued**

Interest Rate Risk - Council policy requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and that an investment must be purchased with the expectation that it will be held to maturity. Council policy limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily. Council policy limits the investment of interim and inactive monies to certificates of deposit with a term of no more than five years and the expiration of the depository agreement, respectively.

Credit Risk - STAR Ohio carries a rating of AAAM by Standard and Poor's. The Council's investments in the Federal Home Loan Bank were rated AAA by Standard and Poor's and the investment in the money market fund was rated AAAM by Standard and Poor's. Council policy requires that money market funds have the highest credit rating issued by at least one national rating service.

Custodial Credit Risk - Council policy requires that depositories must collateralize deposits and that securities underlying term repurchase agreements must be delivered to the Council or its designee. The Council has no other policies that address custodial credit risk.

Concentration of Credit Risk - Council places no limit on the amount it may invest in any one issuer.

**NOTE 3 - CAPITAL ASSETS**

A summary of the capital assets activity for the year ended December 31, 2010 is as follows:

	<u>Balance</u> <u>December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2010</u>
Computers/ Equipment	\$49,694	\$1,879	(\$532)	\$51,041
Less Accumulated Depreciation	(20,608)	(7,613)	532	(27,689)
Governmental Activities Capital Assets - Net	<u>\$29,086</u>	<u>(\$5,734)</u>	<u>\$-0-</u>	<u>\$23,352</u>



CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

**NOTE 4 - RETIREMENT PLANS**

The employees of the Council are covered by the Ohio Public Employees Retirement System (OPERS) which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% of qualifying gross wages for all employees for year ending December 31, 2010. The 2010 employer contribution rate for local government employers was 14% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Council's contributions to OPERS for the years ended December 2010, 2009 and 2008 were \$83,778, \$78,592 and \$69,102, respectively. All required contributions were made prior to the end of each respective year.

The Council also participates in a statewide deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457, whereby an employee who elects to participate may defer the receipt of a specified amount of compensation. Such deferred compensation is payable upon retirement, death, disability, termination of employment, or upon financial hardship. The Council has entered into an agreement with the Ohio Public Employees Deferred Compensation Board to act as the Council's agent and administer the Deferred Compensation Plan. The plan Agreement states that the Council and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

**NOTE 5 - POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has the elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.



CLEARWATER COUNCIL OF GOVERNMENTS  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 Year Ended December 31, 2010

**NOTE 5 - POST-EMPLOYMENT BENEFITS, Continued**

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the combined plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Council's contributions for health care to OPERS for the years ending December 31, 2010, 2009, and 2008 were \$30,237, \$33,062, and \$34,551, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**NOTE 6 - LEASE COMMITMENTS**

The Council rents office space on a year-to-year basis from the Ottawa County Board of Developmental Disabilities. The rent amount of \$11,592 for 2010 was paid in 2011.

The Council leases equipment under a noncancelable lease. The Council disbursed \$6,872 to pay lease costs for the year ended December 31, 2010. Future lease payments are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2011	\$ 7,900
2012	7,900
2013	7,900
2014	1,300
2015 and thereafter	<u>-0-</u>
Total	<u>\$25,000</u>

CLEARWATER COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Year Ended December 31, 2010

**NOTE 7 - COMPLIANCE WITH GRANTS AND CONTRACTS**

The Council serves as a pass through agency for the State of Ohio's Medicaid allocations to its providers. Providers are required to comply with the terms and conditions specified in the Medicaid provider agreements. Medicaid permits the providers one full year from the date services were provided to bill for reimbursements.

Ohio has the authority to audit the providers' compliance with such agreements and grants. Any disallowed claims resulting from such audits would require repayment by the provider. Management of the Council is not aware of any material disallowed or questioned costs due to noncompliance.

**NOTE 8 - RELATED PARTY**

The Council has a relationship with a represented county for payroll services. The county processes the Council's payroll transactions and bills the Council quarterly for the service. The amount paid to the county for payroll and payroll services was approximately \$640,000 for the year ended December 31, 2010.

**NOTE 9- RISK MANAGEMENT**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council maintains comprehensive insurance coverage with a private carrier for building contents and general liability. Contents are fully insured. There have been no claims in each of the past three years. There have been no reductions in insurance coverage from the prior year.

**NOTE 10 - CONTINGENCIES**

The waiver administration revenue is subject to retroactive adjustment which could result in increases or decreases in future revenue upon settlement. The Council is unable to determine the amount, if any, of the cost settlements for the open years of 2006, 2007, 2008, 2009 and 2010.

CLEARWATER COUNCIL OF GOVERNMENTS  
SCHEDULE OF MODIFIED CASH BASIS  
GENERAL AND ADMINISTRATIVE DISBURSEMENTS  
GOVERNMENTAL ACTIVITIES  
Year Ended December 31, 2010

Salaries, Wages, and Related Taxes and Benefits	\$ 42,538
Professional Services	17,774
Insurance - Liability	10,946
Office	5,595
Travel, Seminars and Training	2,947
Computer	791
Dues and Subscriptions	676
Depreciation	381
Equipment	344
Miscellaneous	<u>5</u>
<b>TOTAL GENERAL AND ADMINISTRATIVE DISBURSEMENTS</b>	 <b><u>\$ 81,997</u></b>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS

Clearwater Council of Governments  
235 N. Toussaint South Road  
Oak Harbor, OH 43449

We have audited the modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clearwater Council of Governments ("Council") as of and for the year ended December 31, 2010, which collectively comprise the Council's basic financial statements and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control 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 expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion 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 in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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 to be material weaknesses, as defined above.



### Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

*Webster O'Brien Ltd*

January 10, 2012





# Dave Yost • Auditor of State

**CLEARWATER COUNCIL OF GOVERNMENTS**

**OTTAWA 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  
APRIL 10, 2012**