



Dave Yost • Auditor of State



**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITORS' REPORT

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

To the Executive Committee:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Stark Council of Governments, Stark County, Ohio, (the SCOG) as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the SCOG's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the SCOG's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the SCOG prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the SCOG as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Stark Council of Governments, Stark County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 4 to the financial statements, during 2011 the Stark Council of Governments adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SCOG's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 5, 2013

**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, 2012**

	<b>General</b>
<b>Cash Receipts:</b>	
Intergovernmental	\$1,159,766
Earnings on Investments	232
Other Revenue	7,425
Total Cash Receipts	\$1,167,423
<b>Cash Disbursements:</b>	
Supplies	87,520
Purchased Services	345,968
Other Allocations	692,047
Capital Outlay	58,696
Total Cash Disbursements	1,184,231
Total Receipts Over/(Under) Disbursements	(16,808)
Fund Cash Balances, January 1	915,670
Fund Cash Balances, December 31	898,862
<b>Fund Cash Balances, December 31</b>	
Unassigned	898,862
<i>Fund Cash Balances, December 31</i>	\$898,862

*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, 2011**

	<b>General</b>
<b>Cash Receipts:</b>	
Intergovernmental	\$1,728,945
Earnings on Investments	206
Other Revenue	16,892
Total Cash Receipts	\$1,746,043
<b>Cash Disbursements:</b>	
Supplies	127,395
Purchased Services	558,474
Other Allocations	835,759
Capital Outlay	119,297
Total Cash Disbursements	1,640,925
Total Receipts Over Disbursements	105,118
Fund Cash Balances, January 1	810,552
Fund Cash Balances, December 31	915,670
<b>Fund Cash Balances, December 31</b>	
Unassigned	915,670
<i>Fund Cash Balances, December 31</i>	\$915,670

*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, 2012 AND 2011**

**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 accounting basis. 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 fund into the following type:

- **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, 2012 AND 2011  
(Continued)**

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

**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 2012 and 2011 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 amount of cash at December 31 was as follows:

	2012	2011
Deposits with County Treasurer	\$574,662	\$591,470
STAR Ohio	324,200	324,200
Total Deposits and Investments	\$898,862	\$915,670

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,001,820	\$1,167,423	\$165,603
	\$1,001,820	\$1,167,423	\$165,603

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,588,801	\$1,184,231	\$404,570

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,750,639	\$1,746,043	(\$4,596)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,799,198	\$1,640,925	\$158,273

**4. FUND BALANCE**

Fund balance is divided into five classifications based primarily on the extent to which the SCOG must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**A. Nonspendable**

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**B. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**C. Committed**

The Board can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**D. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or an Authority official delegated that authority by resolution, or by State Statute.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. FUND BALANCE (Continued)**

**E. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The SCOG applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**5. RISK MANAGEMENT**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective 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, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the SCOG's share of these unpaid claims collectible in future years is approximately \$22,005.

**STARK COUNCIL OF GOVERNMENTS  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>Contributions to PEP</u></b>		
<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
\$23,939	\$22,005	\$20,438

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**6. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the SCOG are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Stark Council of Governments, Stark County, (the SCOG) as of and for the years ended December 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2013, wherein we noted the SCOG follow a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the SCOG's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the SCOG's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the SCOG's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the SCOG's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the SCOG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

April 5, 2013



# Dave Yost • Auditor of State

**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  
MAY 21, 2013**