



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO

FINAL AUDIT

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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Members of the Board  
Heartland Council of Governments  
1495 Longview Ave, Suite 100  
Mansfield, Ohio 44906

We have reviewed the *Independent Auditor's Report* of Heartland Council of Governments, Richland County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2021 through June 30, 2023. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

#### **Finding for Recovery Resolved under Audit**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under the color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl Preparatory School*, 128 Ohio St. 3d 50 (2010).

The Heartland Council of Governments (COG) approved Andy Melick to receive a supplemental salary of \$8,832 in June 2021 to perform all duties as required of the Executive Director of Heartland in addition to his salary of \$86,168 and his \$5,000 bonus: for a total wages of \$100,000. For fiscal year ending June 30, 2022, Mr. Melick received a total of \$108,832, exceeding his approval salary amount by \$8,832 as his supplemental contract was calculated as part of his gross wages and reported as a supplemental contract.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Andy Melick and fiscal agent Treasurer, Linda Schumacher and her bonding company, Western Surety Company, jointly and severally, in the amount of \$8,832, and in favor of Metropolitan Regional Service Council of Governments (MRSC) general fund.

Members of the Board  
Heartland Council of Governments  
1495 Longview Ave, Suite 100  
Mansfield, Ohio 44906  
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On July 26, 2024, Andy Melick entered into a repayment agreement with Metropolitan Regional Service Council of Governments (MRSC). This finding is considered resolved under audit.

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. Heartland Council of Governments is responsible for compliance with these laws and regulations.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 11, 2024

**Heartland Council of Governments**  
**Richland County, Ohio**  
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*For the Years Ended June 30, 2023 and 2022*

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**INDEPENDENT AUDITOR'S REPORT**

Heartland Council of Governments  
Richland County  
1495 Longview Avenue, Suite 100  
Mansfield, Ohio 44906

To the Members of the Board:

**Report on the Audit of the Financial Statements**

***Unmodified and Adverse Opinions***

We have audited the financial statements of the Heartland Council of Governments, Richland County, Ohio (the COG), which comprises the cash balances, receipts and disbursements for the years ended June 30, 2023 and 2022, and the related notes to the financial statements.

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 1.

***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* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the COG, as of June 30, 2023 and 2022, or the changes in financial position thereof for the years then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the COG, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the COG on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these 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 and pervasive.

***Emphasis of Matter***

As discussed in Note 6 to the financial statements, on July 1, 2023, Heartland Council of Governments merged with the Metropolitan Regional Service Council (NEONet) and closed their own operations effective June 30, 2023. We did not modify our opinion regarding this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the GOG's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the COG's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the COG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2024, on our consideration of the COG'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. The purpose of that report is solely 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 effectiveness of the COG's 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 COG's internal control over financial reporting and compliance



BHM CPA Group, Inc.  
Circleville, Ohio  
July 17, 2024

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>2023</u>
<b>Cash Receipts:</b>	
Intergovernmental	137,070
Charges for Services	2,653,460
Sales	773,748
Earnings on Investments	8
Miscellaneous	<u>364,250</u>
Total Cash Receipts	3,928,536
<b>Cash Disbursements:</b>	
Salaries	952,930
Employee Fringe Benefits	390,783
Purchased and contractual Services	1,758,843
Supplies and Materials	645,468
Capital Outlay	213,352
Other	<u>49,951</u>
Total Operating Cash Disbursements	<u>4,011,327</u>
Operating Income (Loss) Before Interfund transfers and advances	(82,791)
Fund Cash Balance, July 1	<u>1,678,265</u>
Fund Cash Balances, June 30	<u><u>1,595,474</u></u>

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

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

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**Note 1 – Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Heartland Council of Governments, Richland County, Ohio, (the COG) as a body corporate and politic. Eligibility for membership in the COG includes 15 local school districts, one educational service center, one career and technology center, and a consortium of community schools. Each member's Board appoints its Superintendent or Superintendent's designee to act as its representative at COG meetings and for all COG activities. The COG is directed by an appointed eight-member Board of Directors. The COG provides computer and data processing services to its members and other government entities. The COG provides an employing excess computer capacity and personnel time to provide computer services to non-members and to permit the expansion into new areas of technology.

The Heartland Council of Governments, Richland County, Ohio, serves as its own fiscal agent.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The COG 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

**C. Cash and Investments**

The COG's cash is held and invested by the COG's Treasurer.

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30, 2023 was \$1,595,474.

**D. Fund Accounting**

The COG uses fund accounting to segregate cash and investments that are restricted as to use. The General Fund is the general operating fund of the COG and is used to account for all financial resources.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**E. Budgetary Process**

The Ohio Revised Code does not require the COG to budget annually. However, management prepares a budget for internal monitoring. Budgetary basis expenditures include outstanding year end encumbrances.

A summary of 2023 budgetary activity appears in Note 2.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the COG.

**H. Fund Balance**

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

**Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the COG and the nonspendable portion of the corpus in permanent funds.

**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 or enabling legislation.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the COG. Those committed amounts cannot be used for any other purpose unless the COG removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the COG for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**H. Fund Balance (continued)**

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from the overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The COG 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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 5.

**Note 2 – Budgetary Activity**

The COG is not required to follow the budgetary process; but has decided to adopt a formal budget annually. Budgetary activity for the year ended June 30, 2023 is as follows:

	2023		
Fund Type	Final Budget	Actual	Variance
Revenues	\$3,571,042	\$3,928,536	\$357,494
Expenditures*	\$3,459,665	\$4,011,327	(\$551,662)

\*Budgeted expenditures include prior year encumbrances and current year appropriations and actual expenditures include actual disbursements and current year encumbrances.

**Note 3 – Retirement System**

*Plan Description* – The COG contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

Notes to the Financial Statements  
For the Years Ended June 30, 2023

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**Note 3 – Retirement System (continued)**

*Funding Policy* - Plan members are required to contribute 10% of their annual covered salary and the COG is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2023 the allocation to pension and death benefits is 13.24%. The remaining .76% of the 14% employer contribution rate is allocated to Health Care and Medicare B Fund. The COG has paid all contributions required through June 30, 2023.

**Note 4 – Risk Management**

Commercial Insurance

The COG has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The COG also provides health insurance, dental, and vision coverage to full-time employees. There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Note 5 – Fund Balances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows: \$0.00.

In the general fund, outstanding encumbrances are considered assigned.

**Note 6 – Subsequent Event**

Effective July 1, 2023, the COG merged with the Metropolitan Regional Service Council (NEOnet) in Cuyahoga Falls, Ohio. The COG's June 30, 2023 remaining cash balance, \$1,595,474, was deposited into the NEOnet cash and investment pool.

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**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>
<b>Cash Receipts:</b>	
Intergovernmental	118,439
Charges for Services	2,819,293
Sales	865,581
Earnings on Investments	774
Miscellaneous	<u>249,342</u>
Total Cash Receipts	4,053,429
<b>Cash Disbursements:</b>	
Salaries	1,159,186
Employee Fringe Benefits	487,523
Purchased and contractual Services	1,158,758
Supplies and Materials	585,714
Capital Outlay	93,365
Other	<u>29,224</u>
Total Operating Cash Disbursements	<u>3,513,770</u>
Operating Income (Loss) Before Interfund transfers and advances	539,659
Fund Cash Balance, July 1	<u>1,138,606</u>
Fund Cash Balances, June 30	<u><u>1,678,265</u></u>

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



**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

Notes to the Financial Statements  
For the Year Ended June 30, 2022

---

**Note 1 – Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Heartland Council of Governments, Richland County, Ohio, (the COG) as a body corporate and politic. Eligibility for membership in the COG includes 15 local school districts, one educational service center, one career and technology center, and a consortium of community schools. Each member's Board appoints its Superintendent or Superintendent's designee to act as its representative at COG meetings and for all COG activities. The COG is directed by an appointed eight-member Board of Directors. The COG provides computer and data processing services to its members and other government entities. The COG provides an employing authority which can administer all personnel functions needed to facilitate the use of temporary excess computer capacity and personnel time to provide computer services to non-members and to permit the expansion into new areas of technology.

The Pioneer Career and Technology Center, Richland County, Ohio, (the Center) serves as the fiscal agent for the COG and provides certain accounting and administrative services to the COG.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The COG 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

**C. Cash and Investments**

The COG's cash is held and invested by the Center's Treasurer, who acts as custodian for the COG monies. The COG's investments are held in the Center's cash and investment pool and are valued at the Center's reported carrying amount.

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30, 2022 was \$1,678,265.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

Notes to the Financial Statements  
For the Year Ended June 30, 2022

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**D. Fund Accounting**

The COG uses fund accounting to segregate cash and investments that are restricted as to use. The General Fund is the general operating fund of the COG and is used to account for all financial resources.

**E. Budgetary Process**

The Ohio Revised Code does not require the COG to budget annually. However, management prepares a budget for internal monitoring. Budgetary basis expenditures include outstanding year end encumbrances.

A summary of 2022 budgetary activity appears in Note 2.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the COG.

**H. Fund Balance**

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

**Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the COG and the nonspendable portion of the corpus in permanent funds.

**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 or enabling legislation.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

Notes to the Financial Statements  
For the Year Ended June 30, 2022

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**H. Fund Balance (continued)**

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the COG. Those committed amounts cannot be used for any other purpose unless the COG removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by COG for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from the overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The COG 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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 5.

**Note 2 – Budgetary Activity**

The COG is not required to follow the budgetary process; but has decided to adopt a formal budget annually. Budgetary activity for the year ended June 30, 2022 follows:

	2022		
Fund Type	Final Budget	Actual	Variance
Revenues	\$3,508,309	\$4,053,429	\$545,120
Expenditures*	\$3,544,181	\$3,529,844	\$14,337

\*Budgeted expenditures include prior year encumbrances and current year appropriations and actual expenditures include actual disbursements and current year encumbrances.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY, OHIO**

Notes to the Financial Statements  
For the Years Ended June 30, 2022

---

**Note 3 – Retirement System**

*Plan Description* – The COG contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

*Funding Policy* - Plan members are required to contribute 10% of their annual covered salary and the COG is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2022 the allocation to pension and death benefits is 13.24%. The remaining .76% of the 14% employer contribution rate is allocated to Health Care and Medicare B Fund. The COG has paid all contributions required through June 30, 2022.

**Note 4 – Risk Management**

Commercial Insurance

The COG has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The COG also provides health insurance, dental, and vision coverage to full-time employees. There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Note 5 – Fund Balances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>
Outstanding encumbrances	<u>\$ 16,074</u>
	<u>\$ 16,074</u>

In the general fund, outstanding encumbrances are considered assigned.



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

Heartland Council of Governments  
Richland County  
1495 Longview Avenue, Suite 100  
Mansfield, Ohio 44906

To the Members of the Board:

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements of the Heartland Council of Governments, Richland County, (the COG) and have issued our report thereon dated July 17, 2024, wherein we noted the COG followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2 03(C) permit. We also noted that on July 1, 2023, Heartland Council of Governments merged with the Metropolitan Regional Service Council (NEONet) and closed their own operations effective June 30, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the COG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 COG's internal control. Accordingly, we do not express an opinion on the effectiveness of the COG's internal control.

*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 COG's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the COG's financial statements are free from 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 financial statements. 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*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the COG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the COG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BHM CPA Group*

BHM CPA Group, Inc.  
Circleville, Ohio  
July 17, 2024

# OHIO AUDITOR OF STATE KEITH FABER



**HEARTLAND COUNCIL OF GOVERNMENTS**

**RICHLAND COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 11/7/2024**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)