



**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Executive Committee:

We have audited the accompanying financial statements of the Midland Council of Governments, Wayne County, (the Council) as of and for the years ended June 30, 1999 and 1998. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Council prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Council as of June 30, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 1999 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

This report is intended solely for the information and use of the Executive Committee, management of the Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 3, 1999

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 1999-1998**

	1999	1998
Cash Receipts:		
Intergovernmental	\$636,095	\$557,268
Charges for Services	923,776	908,245
Interest	33,630	35,124
Miscellaneous	587	949
Total Cash Receipts	1,594,088	1,501,586
Cash Disbursements:		
Current:		
Salaries	549,219	471,493
Employee Benefits	148,567	125,900
Purchased Services	442,722	601,776
Materials and Supplies	11,637	9,722
Other	73,162	89,850
Capital Outlay	187,254	231,727
Total Cash Disbursements	1,412,561	1,530,468
Total Cash Receipts Over/(Under) Cash Disbursements	181,527	(28,882)
Other Financing Receipts:		
Sale of Fixed Assets		1,555
Refund of Prior Year Expenditure		4,864
Total Other Financing Receipts		6,419
Total Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	181,527	(22,463)
Fund Cash Balances, July 1	437,602	460,065
Fund Cash Balances, June 30	\$619,129	\$437,602
Reserves for Encumbrances, June 30	\$162,171	\$84,650

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999-1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Midland Council of Governments, Wayne County, (the Council) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Eligible members of the Council include 17 school districts, three educational service centers, and two career centers. Each member's Board appoints its Superintendent to act as its representative at Council meetings and for all Council activities. The Council is directed by an appointed seven-member Executive Committee. The Council provides computer and data processing services to its members and other government entities.

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned. Disbursements are recognized when they are paid rather than when a liability is incurred. 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 prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

The investment in STAR Ohio (the State Treasurer' investment pool) is valued at amounts reported by the State Treasurer.

D. FUND ACCOUNTING

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999-1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY PROCESS (Continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of July 1.

Encumbrances

The Ohio Revised Code requires the Council to reserve (encumber) appropriations when commitments are made.

Encumbrances are purchase orders, contracts and other commitments for the expenditure of monies that are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets in the financial statements.

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$15,957	\$33,223
STAR Ohio	<u>603,172</u>	<u>404,379</u>
Total deposits	<u>\$619,129</u>	<u>\$437,602</u>

Deposits:

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments:

Investments in Star Ohio are not evidenced by securities that exist in physical or book-entry form.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999-1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended June 30, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,231,281	\$1,594,088	\$362,807

1999 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,597,840	\$1,574,561	\$23,279

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,181,995	\$1,508,005	\$326,010

1998 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,627,380	\$1,615,118	\$12,262

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999-1998
(Continued)

4. RETIREMENT SYSTEMS

The Council provides retirement benefits to all certificated employees under the State Teachers' Retirement System and to all noncertified employees under the School Employees Retirement System.

A. School Employees Retirement System

The Council contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. This report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 per cent of their annual covered salary, and the Council is required to contribute 14 per cent. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. In addition to the salary contributions, the Council pays an additional 14% contribution on salaries of employees who are paid below a level established annually by SERS actuaries. This additional contribution is referred to as the "employer surcharge."

B. State Teachers Retirement System

The Council also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 per cent of their annual covered salary and the District is required to contribute 14 per cent. Contribution rates are established by STRS upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 per cent for employers.

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- C Comprehensive property and general liability
- C Vehicles
- C Commercial inland marine
- C General liability
- C Public officials' liability

The Council also provides health insurance and dental and vision coverage to full-time employees through the Tri-County Joint Self-Insurance Plan.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1999-1998

(Continued)

6. FISCAL AGENT

The Tri-County Education Service Center acts as the fiscal agent for the Council and provides certain accounting and administrative services to the Council.

7. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Council's operations.

The Council has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting Council operations and has identified such systems as accounting/financial reporting, budgetary, payroll, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The Council uses the State of Ohio Uniform School Accounting System software for its accounting/financial reporting and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The Council uses State of Ohio Education Management and Information System for reporting educational statistics. The State is responsible for remediating these systems. The Council has been notified that as of September 1999, these systems are validated and tested and will be compliant with the Year 2000.

The State of Ohio distributes a substantial sum of money to the Council in the form of "Subsidy" payments. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. Management cannot assure that the Council is or will be Year 2000 ready, that the Council's remediation efforts will be successful in whole or in part, or that parties with whom the Council does business will be Year 2000 ready.

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**Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards***

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

To the Executive Committee:

We have audited the financial statements of the Midland Council of Governments (the Council) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated December 3, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Council in a separate letter dated December 3, 1999.

Midland Council of Governments
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of the Executive Committee and management of the Council and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 3, 1999



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MIDLAND COUNCIL OF GOVERNMENTS

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2000**