



**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING
AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Balance Sheet – Special Revenue Funds and Account Groups For the Year Ended June 30, 2002.....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Funds For the Year Ended June 30, 2002.....	4
Notes to the General Purpose Financial Statements.....	5
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	11

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Northeast Ohio Four County Regional
Planning and Development Organization
Summit County
180 East South Street
Akron, Ohio 44311

To the General Policy Board:

We have audited the accompanying general purpose financial statements of the Northeast Ohio Four County Regional Planning and Development Organization (NEFCO) as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of NEFCO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of NEFCO as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2002 on our consideration of NEFCO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 30, 2002

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**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**COMBINED BALANCE SHEET - SPECIAL REVENUE FUNDS AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 2002**

	Account Groups		Totals (Memorandum Only)	
	Special Revenue Funds	General Fixed Assets		General Long-Term Obligations
Assets and Other Debits:				
Assets:				
Cash and cash equivalents	\$87,841	\$0	\$0	\$87,841
Accounts receivable	79,962			79,962
Deposits held	250			250
Fixed assets		46,079		46,079
Other Debits:				
Amount to be Provided for Long-Term Obligations			14,623	14,623
Total Assets and Other Debits	\$168,053	\$46,079	\$14,623	\$228,755
Liabilities, Fund Equity and Other Credits:				
Liabilities				
Accounts payable	\$15,152	\$0	\$0	\$15,152
Salaries and wages payable	3,619			3,619
Unearned revenue	79,962			79,962
Compensatory time payable			1,176	1,176
Vacation time payable			13,447	13,447
Total Liabilities	98,733	0	14,623	113,356
Fund Equity and Other Credits:				
Investment in fixed assets		46,079		46,079
Unreserved and undesignated	69,320			69,320
Total Fund Equity and Other Credits	69,320	46,079	0	115,399
Total Liabilities, Fund Equity and Other Credits	\$168,053	\$46,079	\$14,623	\$228,755

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

**NORTHEAST OHIO REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Cash Receipts:	
Grants	\$193,235
Local Dues Assessment	159,924
Investment Income	964
Other Receipts	<u>1,739</u>
Total Cash Receipts	<u>355,862</u>
Cash Disbursements:	
Salaries	233,475
Supplies	3,872
Equipment	4,629
Contracts - Repair	5,564
Contracts - Services	21,196
Rentals	3,894
Public Employee's Retirement	27,048
Worker's Compensation	2,014
Project Fund Disbursements	14,400
Other	<u>29,513</u>
Total Disbursements	<u>345,605</u>
Total Receipts Over Disbursements	10,257
Fund Balance, July 1	<u>59,301</u>
Fund Balance, June 30	<u><u>\$69,558</u></u>

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

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) was formed as a Regional Council of Governments by the elected officials within Portage, Stark, Summit and Wayne Counties pursuant to Chapter 167 of the Ohio Revised Code. Its purpose is to foster a cooperative effort in regional planning and programming, and the implementation of regional plans and programs. NEFCO is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policies and actions and related recommendations.

NEFCO is directed by a General Policy Board of 42 appointed officials and citizens from each of the four counties, as well as from the cities of Akron, Canton, Wooster and Kent, Ohio.

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at \$.135 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants.

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

B. Basis of Accounting

The accounting policies of NEFCO are designed to present fairly, and with full disclosure, the assets, liabilities, and fund equity of NEFCO, and its revenues, expenditures and changes in fund balances in conformity with generally accepted accounting principles.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts) that are restricted to expenditure for specific purposes. NEFCO has the following significant Special Revenue Funds:

Water Quality Management Planning Fund – This fund receives monies from the Ohio Environmental Protection Agency and is used for water quality management programs in the four county region.

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Economic Development Fund – This fund receives monies from the U. S. Department of Commerce and the Economic Development Administration and is used for economic development programs in the four county region.

Account Groups

General Fixed Assets Account Group – This account group is used to account for property, plant and equipment that is not accounted for in any other fund.

General Long-Term Obligations Account Group – This account group is used to account for long term obligations that are not accounted for in any other fund.

D. Revenues and Expenditures

The modified accrual basis of accounting is followed for the Special Revenue Funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The available period for NEFCO is 60 days after year end.

Local dues assessments and grant awards measurable as of June 30, 2002, whose availability is within 60 days after year end but are intended to finance fiscal year 2003 operations, respectively, have been recorded as unearned revenues.

Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

E. Fixed Assets

Fixed Assets are not capitalized in the fund which acquired them. Instead, capital acquisition and construction costs are reflected as expenditures in the Special Revenue Funds, and related assets are reported in the General Fixed Assets Account Group. Fixed assets are capitalized at cost and updated for additions and retirements during the year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

NEFCO employees are entitled to compensated absences (vacation) based on their length of employment. In addition, all employees earn nonvesting accumulating rights to receive sick pay benefits. The vacation leave liability has been accrued, while sick leave benefits are expensed at the time of payment.

2. EQUITY IN POOLED CASH AND INVESTMENTS

NEFCO maintains cash and investments in a pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30 was:

Demand Deposits	\$87,841
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Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation.

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30 were as follows:

Local Dues	\$79,962
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4. FIXED ASSETS

A summary of changes in general fixed assets during the fiscal year ended June 30, 2002 were as follows:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Equipment	\$43,562	\$2,517	\$0	\$46,079

5. INDIRECT COSTS AND COST ALLOCATION METHOD

Indirect costs were distributed to projects and activities pursuant to a method of allocation required by the Office of Management and Budget Circular A-87 and Handbook 6042.1, Revised.

The indirect cost allocation rate for the fiscal year ended June 30, 2002 was as follows:

A. Indirect costs for all projects	\$96,818
B. Total direct salaries and fringes	262,537
C. Allocation percentage (A/B)	36.9%

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

5. INDIRECT COSTS AND COST ALLOCATION METHOD (Continued)

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2002:

Salaries and Wages	\$27,053
Insurance/Hospitalization	29,719
Contract Services	12,278
Travel	2,221
Supplies	4,190
Telephone/Internet Access	595
Postage	4,053
Equipment Rental	2,051
Dues and Subscriptions	3,891
Banking Transactions	46
Utilities and Maintenance	6,719
Miscellaneous	119
Advertising	<u>3,883</u>
Total Indirect Cost	<u>\$96,818</u>

6. RETIREMENT SYSTEMS

NEFCO's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For June 30, 2002, PERS members contributed 8.5% of their gross salaries. NEFCO contributed an amount equal to 13.55 % of participants' gross salaries through June 30, 2002. NEFCO has paid all contributions required through June 30, 2002.

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

7. RISK MANAGEMENT

NEFCO is exposed to various risks of loss related to torts; theft and damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

- General liability and casualty
- Public officials' liability

NEFCO also provides health insurance and dental and vision coverage for full-time employees through the County of Summit.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. FACILITIES

During the audit period NEFCO conducted its operations from a Summit County owned facility located in West Akron. NEFCO had the use of these facilities rent free and was required to maintain adequate insurance liability coverage. The facility is not included as part of NEFCO's fixed assets.

NEFCO entered into a lease with Summit County effective June 2002, to conduct operations at a different County owned facility located in South Akron.

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JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Northeast Ohio Four County Regional
Planning and Development Organization
Summit County
180 East South Street
Akron, Ohio 44311

To the General Policy Board:

We have audited the accompanying general purpose financial statements of the Northeast Ohio Four County Regional Planning and Development Organization (NEFCO) as of and for the year ended June 30, 2002, and have issued our report thereon dated July 30, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether NEFCO'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 audit 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 audit, we considered NEFCO'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 NEFCO in a separate letter dated July 30, 2002.

Northeast Ohio Four County Regional
Planning and Development Organization
Summit County
Report of Independent Accountants on Compliance and on Internal Control
Required By *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

July 30, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORG.

SUMMIT 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
SEPTEMBER 19, 2002**