



**Mary Taylor, CPA**  
Auditor of State



**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION  
STARK COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

Local Organized Governments in Cooperation  
Stark County  
2601 Cleveland Avenue, NW  
Canton, Ohio 44709

To the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

August 28, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Local Organized Governments in Cooperation  
Stark County  
2601 Cleveland Avenue, NW  
Canton, Ohio 44709

To the Board:

We have audited the accompanying financial statements of the Local Organized Governments in Cooperation, Stark County, Ohio, (LOGIC) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of LOGIC'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, LOGIC has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require LOGIC to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the LOGIC does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. LOGIC has elected not to reformat its statements. Since LOGIC does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of LOGIC as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Local Organized Governments in Cooperation, Stark County, as of December 31, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

LOGIC has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2009, on our consideration of LOGIC'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 28, 2009



**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION  
STARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

|   | <b>2008</b>      | <b>2007</b>     |
|---|------------------|-----------------|
| <b>Cash Receipts:</b>   |                  |                 |
| Intergovernmental   | \$1,271,741      | \$1,209,020     |
| Miscellaneous   | 3                | 18              |
|   | 1,271,744        | 1,209,038       |
| <b>Cash Disbursements:</b>  |                  |                 |
| Current:  |                  |                 |
| Salaries  | 830,733          | 768,397         |
| Benefits  | 280,334          | 283,599         |
| Purchased Services  | 13,215           | 19,291          |
| Building and Equipment Rental   | 15,684           | 12,997          |
| Equipment Repair and Maintenance  | 14,712           | 18,019          |
| Utilities   | 40,524           | 35,471          |
| Other   | 8,846            | 13,693          |
| Capital Outlay  | 19,435           | 6,663           |
| Debt Service:   |                  |                 |
| Redemption of Principal   | 25,000           | 25,000          |
|   | 1,248,483        | 1,183,130       |
| Total Cash Disbursements  | 1,248,483        | 1,183,130       |
| Total Cash Receipts Under Cash Disbursements  | 23,261           | 25,908          |
| Excess of Cash Receipts and Other Financing<br>Receipts Under Cash Disbursements<br>and Other Financing Disbursements | 23,261           | 25,908          |
| Fund Cash Balances, January 1   | 86,607           | 60,699          |
| <b>Fund Cash Balances, December 31</b>  | <b>\$109,868</b> | <b>\$86,607</b> |

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

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**LOGIC ORGANIZED GOVERNMENTS IN COOPERATION  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Local Organized Governments in Cooperation, Stark County, Ohio, (LOGIC) was established by its member political subdivisions as a regional council under Chapter 167 of the Ohio Revised Code for the purpose of operating the Regional Emergency Dispatch (RED) Center. LOGIC operates under the direction of the Board of Trustees, which consists of one representative designated by each permanent member political subdivision. The permanent member subdivisions are the City of Massillon, Jackson Township, Plain Township, Village of Hills and Dales, and Lawrence Township.

LOGIC's management believes these financial statements present all activities for which LOGIC 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. LOGIC recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

All cash received by LOGIC is maintained in demand deposit accounts.

**D. Property, Plant, and Equipment**

LOGIC records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**E. Budgetary Process**

Unlike traditional governments located in the State of Ohio, LOGIC is not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705. However, according to the bylaws of LOGIC, an annual operating budget is prepared by the management team, comprised of each fire or police chief whose dispatching is conducted by RED, and submitted to LOGIC detailing all anticipated expenses of RED.

Based upon the prior year's usage as a percentage of the total usage of RED, each LOGIC member will be assessed an equal percentage of the succeeding year's operating budget as its operating contribution to RED.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**LOGIC ORGANIZED GOVERNMENTS IN COOPERATION  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. EQUITY IN POOLED CASH**

The carrying amount of cash at December 31, 2008 and 2007 was \$109,868 and \$86,607, respectively, and was covered by Federal Depository Insurance Corporation (FDIC).

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

| 2008 Budgeted vs. Actual Receipts |                      |                    |               |
|-----------------------------------|----------------------|--------------------|---------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance      |
| General                           | \$2,870,680          | \$1,271,744        | (\$1,598,936) |

| 2008 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$1,354,821                | \$1,248,483               | \$106,338 |

| 2007 Budgeted vs. Actual Receipts |                      |                    |               |
|-----------------------------------|----------------------|--------------------|---------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance      |
| General                           | \$2,876,058          | \$1,209,038        | (\$1,667,020) |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |          |
|---|----------------------------|---------------------------|----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
| General   | \$1,270,950                | \$1,183,130               | \$87,820 |

**4. RETIREMENT SYSTEM**

LOGIC employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS employee members contributed 10 percent and 9.5 percent, respectively, of their gross salaries. LOGIC contributed an amount equal to 14 percent and 13.77 percent of participants' gross salaries for 2008 and 2007, respectively. LOGIC has paid all contributions required through December 31, 2008.

**5. RISK MANAGEMENT**

LOGIC insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

LOGIC 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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LOGIC ORGANIZED GOVERNMENTS IN COOPERATION  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlement did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

| <u>Casualty Coverage</u> | <u>2007</u>         | <u>2006</u>         |
|--------------------------|---------------------|---------------------|
| Assets                   | \$37,560,071        | \$36,123,194        |
| Liabilities              | <u>(17,340,825)</u> | <u>(16,738,904)</u> |
| Retained earnings        | <u>\$20,219,246</u> | <u>\$19,384,290</u> |

**LOGIC ORGANIZED GOVERNMENTS IN COOPERATION  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. LOGIC's share of these unpaid claims collectible in future years is approximately \$9,606. This payable includes the subsequent year's contribution due if LOGIC terminates participation, as described in the last paragraph below.

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.

**Contributions to PEP**

|      |         |
|------|---------|
| 2007 | \$8,806 |
| 2008 | \$8.353 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

LOGIC is also insured through Hometown Health for medical, dental, prescription, and life insurance, and prescription drug program.

**6. RELATED PARTY TRANSACTIONS**

Due to the RED Center being located within the administrative offices of Jackson Township, LOGIC has a rental agreement with the Township for the space used. Rental payments under this agreement totaled \$6,000 for each year.

Additionally, LOGIC purchased all supplies through the Jackson Central Maintenance Division which totaled \$5,537 and \$3,864, for 2008 and 2007 respectively.



# Mary Taylor, CPA

Auditor of State

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

Local Organized Governments in Cooperation  
Stark County  
2601 Cleveland Avenue, NW  
Canton, Ohio 44709

To the Board:

We have audited the financial statements of the Local Organized Governments in Cooperation, Stark County, Ohio, (the LOGIC) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 28, 2009, wherein we noted LOGIC followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the LOGIC's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the LOGIC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the LOGIC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the LOGIC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the LOGIC's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the LOGIC's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to LOGIC's management in a separate letter dated August 28, 2009.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the LOGIC'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, providing an opinion 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*.

We noted a certain noncompliance or other matter that we noted to LOGIC's management in a separate letter dated August 28, 2009.

We intend this report solely for the information and use of management and the governing board. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 28, 2009





**Mary Taylor, CPA**  
Auditor of State

**LOCAL ORGANIZED GOVERNMENTS IN COOPERATION**

**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  
OCTOBER 6, 2009**