



**Auditor of State
Betty Montgomery**

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees:
Chagrin/Southeast Council of Governments
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146

We have audited the accompanying financial statements of the Chagrin/Southeast Council of Governments, Cuyahoga County, Ohio, (the Council) as of and for the years ended December 31, 2002, December 31, 2001 and December 31, 2000. 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 audit.

We conducted our audits 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 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 fund cash balances of the Chagrin/Southeast Council of Governments, Cuyahoga County, Ohio as of December 31, 2002, December 31, 2001 and December 31, 2000, and its 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 February 17, 2004 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. 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.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

February 17, 2004

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**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General Fund
Cash Receipts:	
Membership Dues	\$ 34,000
Grants	10,634
Earnings on Investments	2,294
Miscellaneous	515
Total Cash Receipts	47,443
Cash Disbursements:	
Salaries	1,500
Purchased Services	3,220
Supplies and Materials	4,009
Equipment	6,931
Training Conferences	4,380
Miscellaneous	615
Debt Service:	
Repayment of Loan	15,246
Total Cash Disbursements	35,901
Total Receipts Over/(Under) Disbursements	11,542
Fund Cash Balance, January 1, 2002	119,216
Fund Cash Balance, December 31, 2002	\$ 130,758

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

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General Fund
Cash Receipts:	
Membership Dues	\$ 34,000
Grants	4,011
Earnings on Investments	4,319
Miscellaneous	9,333
Total Cash Receipts	51,663
Cash Disbursements:	
Salaries	1,500
Purchased Services	3,609
Supplies and Materials	999
Equipment	9,608
Training Conferences	8,389
Miscellaneous	1,567
Debt Service:	
Repayment of Loan	15,227
Total Cash Disbursements	40,899
Total Receipts Over/(Under) Disbursements	10,764
Fund Cash Balance, January 1, 2001	108,452
Fund Cash Balance, December 31, 2001	\$ 119,216

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

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General Fund
Cash Receipts:	
Membership Dues	\$ 34,000
Grants	14,537
Earnings on Investments	3,699
Miscellaneous	13,102
Total Cash Receipts	65,338
Cash Disbursements:	
Salaries	1,500
Purchased Services	19,148
Supplies and Materials	5,748
Equipment	65,808
Training Conferences	4,907
Miscellaneous	239
Total Cash Disbursements	97,350
Total Receipts Over/(Under) Disbursements	(32,012)
Fund Cash Balance, January 1, 2000	140,464
Fund Cash Balance, December 31, 2000	\$ 108,452

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

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**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Chagrin/Southeast Council of Governments, Cuyahoga County, Ohio, (the Council) is a Regional Council of Governments established under the authority of Ohio Revised Code Chapters 1702 and 167. The Council is comprised of 17 local municipalities. The Council is directed by a three-member Board of Trustees which is elected by the members. The Council was formed to foster cooperation between the member municipalities in the area of hazardous material spill mitigation. Each member pays \$2,000 in annual membership dues.

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 earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. STAR Ohio is recorded at share values reported by the mutual fund.

D. Fund Accounting

The Council uses fund accounting to segregate cash and cash equivalents 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 and is used to account for all financial resources except those required by law or contract to be restricted.

E. 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.

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Demand deposits	\$10,140	\$32,194	\$15,205
Certificates of Deposit		<u>87,022</u>	<u>93,247</u>
Total Demand Deposits	<u>10,140</u>	<u>119,216</u>	<u>108,452</u>
Investment – STAROhio	<u>120,618</u>	_____	_____
Total	<u>\$130,758</u>	<u>\$119,216</u>	<u>\$108,452</u>

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

Investments: The Investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

3. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest</u>
Loan	\$143,033	5%

In 2000, the Council entered into an agreement with the City of Solon whereby the City purchased a HAZMAT vehicle on behalf of the Council. The total cost of the vehicle was \$204,533 of which the Council paid \$61,500 up front. The remaining principal balance of \$143,033 was amortized through a 13 year loan to be paid in annual principal and interest payment of \$15,227.

Year Ending December 31,	Principal	Interest	Total
2003	\$8,903	\$6,324	\$15,227
2004	9,348	5,879	15,227
2005	9,815	5,412	15,227
2006	10,306	4,921	15,227
2007	10,821	4,406	15,227
2008 - 2013	<u>77,287</u>	<u>14,071</u>	<u>91,358</u>
Total	<u>\$126,480</u>	<u>\$41,013</u>	<u>\$167,493</u>

4. BEGINNING BALANCE

The Council had a cash fund balance of \$140,464 as of December 31, 1999.



**Auditor of State
Betty Montgomery**

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

Board of Trustees:
Chagrin/Southeast Council of Governments
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146

We have audited the financial statements of the Chagrin/Southeast Council of Governments, Cuyahoga County, Ohio (the Council) as of and for the years ended December 31, 2002, December 31, 2001 and December 31, 2000, and have issued our report thereon dated February 17, 2004. 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 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 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*. However, we noted immaterial instances of noncompliance that we have report to management of the Council in a separate letter dated February 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-003.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We considered the reportable conditions described above, items 2002-001 through 2002-003 to be material weaknesses. We also 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 February 17, 2004.

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



Betty Montgomery
Auditor of State

February 17, 2004

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Expenditure Support and Approval

For the period, January 2000 through September 2001, the Treasurer of the Council was William Fenton and for the period, October 2001 through December 2002, the Treasurer was Mark Cegelka. Due to the overall poor condition of the records, especially in 2000 and 2001, a 100% test of expenditures was performed. Council procedures require the respective fire chief to sign the invoice in order to evidence their approval of the related expenditure.

For 2000, we tested 60 expenditures and noted 22 instances in which an invoice could not be located and 6 instances when partial invoices were provided, but they did not equal the amount paid. Also, 3 invoices were not signed/approved by the respective fire chief.

For 2001, we tested 35 expenditures and noted 4 instances in which an invoice could not be located. Also, 6 invoices were not signed/approved by the respective fire chief.

For 2002, we tested 59 expenditures and noted 11 invoices were not signed/approved by the respective fire chief.

For the above expenditures, we reviewed the cancelled checks and the nature of the expenditure and ascertained the expenditures were consistent with the scope of the Council's operation. These weaknesses may result in monies being misspent.

We recommend that invoices be attached to all vouchers and the invoice should be approved by the respective fire chief. Furthermore, a list of expenditures should be prepared and submitted to the Board on a monthly basis for their approval.

FINDING NUMBER 2002-002

Segregation of Duties and Financial Reporting

From January 2000 through July 2001, Council's procedures required that the Treasurer deposit their funds in the designated bank accounts, post transactions to the general ledger, perform the monthly bank reconciliations and prepare/submit monthly financial reports to the Council. These procedures do not result in an adequate segregation of duties. As a result, inherent risk is increased and errors and/or irregularities may occur without being detected.

From November 2000 through August 2001, most of the monthly financial reports were either not prepared or could not be located. Initially, the 2000 and 2001 annual reports were either not prepared or could not be located. Subsequently, the current assistant to the Treasurer prepared the required annual reports.

We recommend the Council adopt a policy requiring someone independent of the above procedures to review and approve the monthly bank reconciliations and to agree the monthly financial statements to the underlying source documents.

In October 2001, the assistant to the Treasurer began performing the bank reconciliations and they were approved by the Treasurer.

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002, 2001 AND 2000
(CONTINUED)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)**

FINDING NUMBER 2002-003

Accounting for Equipment

The Council uses funds to procure equipment and is also the recipient of federal and state donated equipment. The equipment is stored at various municipalities of the Council.

A review of the Council's procedures disclosed that an index of equipment owned is not maintained. This may result in assets not being properly safeguarded and accounted for.

We recommend that the Council maintain an index of all equipment purchased and donated from the respective agency. The index should identify the item, its cost, whether it is donated from a federal agency and municipality where it is stored.



**Auditor of State
Betty Montgomery**

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CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS

CUYAHOGA 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
MARCH 9, 2004**