

MIDLAND COUNCIL OF GOVERNMENTS

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Years Ended June 30, 2007 & 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Midland Regional Council of Governments
2125 B Eagle Pass
Wooster, Ohio 44691

We have reviewed the *Report of Independent Accountants* of the Midland Regional Council of Governments, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 through June 30, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. The Midland Regional Council of Governments is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 7, 2007

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MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO
Audit Report
For the years ended June 30, 2007 & 2006

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Executive Committee:

We have audited the accompanying financial statements of the Midland Council of Governments (Council), Wayne County, Ohio as and for the years ended June 30, 2007 and 2006. 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 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council 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 the Council to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2007 and 2006. While the Council 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. The Council has elected not to reformat its statements. Since the Council 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 June 30, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2007 and 2006, 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 combined fund cash balances and reserves for encumbrances of the Midland Council of Governments, as of June 30, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the years ended June 30 2007 & 2006. The Council 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 September 26, 2007, 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 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 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.

Charles E. Harris & Associates, Inc.
September 26, 2007

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2007**

	Governmental Funds			(Memorandum Only) Total
	General Fund	Special Revenue	Capital Projects	
Cash Receipts:				
Intergovernmental	\$ 304,289	\$ 77,217	\$ 60,000	\$ 441,506
Charges for Services	3,165,696	-	-	3,165,696
Earnings on Investments	32,636	-	-	32,636
Other Revenue	4,204	-	-	4,204
Total Cash Receipts	3,506,825	77,217	60,000	3,644,042
Cash Disbursements:				
Salaries	1,600,900	-	-	1,600,900
Employee Benefits	571,553	-	-	571,553
Purchased Services	675,771	-	-	675,771
Materials and Supplies	447,358	-	-	447,358
Distributions to Member Districts	56,182	-	-	56,182
Capital Outlay	-	77,217	-	77,217
Debt Service:				
Redemption of Principal	134,071	-	-	134,071
Interest and Fiscal Charges	7,331	-	-	7,331
Total Cash Disbursements	3,493,166	77,217	-	3,570,383
Cash Receipts Over/(Under) Cash Disbursements	13,659	-	60,000	73,659
Fund Balance, July 1, 2006	664,555	-	-	664,555
Fund Balance, June 30, 2007	\$ 678,214	\$ -	\$ 60,000	\$ 738,214
Reserve for Encumbrances, June 30, 2007	\$ 135,219	\$ -	\$ 60,000	\$ 195,219

See accompanying Notes to the Financial Statements.

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - GENERAL FUND
For the Year Ended June 30, 2006**

	<u>General Fund</u>
Cash Receipts:	
Intergovernmental	\$ 300,355
Charges for Services	2,964,260
Earnings on Investments	25,284
Other Revenue	<u>4,380</u>
Total Cash Receipts	3,294,279
Cash Disbursements:	
Salaries	1,537,201
Employee Benefits	538,815
Purchased Services	715,593
Materials and Supplies	404,206
Distributions to Member Districts	105,158
Capital Outlay	125
Debt Service:	
Redemption of Principal	135,724
Interest and Fiscal Charges	<u>6,121</u>
Total Cash Disbursements	<u>3,442,943</u>
Cash Receipts Over/(Under) Cash Disbursements	(148,664)
Fund Balance, July 1, 2005	<u>813,219</u>
Fund Balance, June 30, 2006	<u>\$ 664,555</u>
Reserve for Encumbrances, June 30, 2006	<u>\$ 48,462</u>

See accompanying Notes to the Financial Statements.

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Years Ended June 30, 2007 & 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Midland Council of Governments, Wayne County, Ohio, (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 21 school districts, one educational service center, and two career centers in Wayne, Ashland, Holmes and Medina counties. Each member's Board appoints its Superintendent or Superintendent's designee 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.

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

C. CASH

Investments are included in the cash fund balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. The investment in STAR Ohio (the State Treasurer' investment pool) is valued at amounts reported by the State Treasurer. Repurchase agreements are valued at cost.

D. FUND ACCOUNTING

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO

Notes To The Financial Statements
For the Years Ended June 30, 2007 & 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2. **Special Revenue Funds**

These funds account for the proceeds of specific sources (other than trusts or for capital projects) that are restricted to expenditures for specific purposes. The Council had the following significant Special Revenue Fund:

Special Education Program Fund – The Council received grant funds to purchase computer software programs.

3. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Council had the following significant capital projects fund:

Ohio K-12 Grant Fund - The Council received grant funds to purchase computer equipment for normal operations.

E. **BUDGETARY PROCESS**

The Ohio Revised Code does not require the Council to budget annually. However, management prepares a budget for internal monitoring.

A summary of 2007 and 2006 budgetary activity appears in Note 2.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under Council's basis of accounting.

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Years Ended June 30, 2007 & 2006**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2007 & 2006 is as follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,205,549	\$ 3,294,279	\$ 88,730

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,539,142	\$ 3,491,405	\$ 47,737

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,330,297	\$ 3,506,825	\$ 176,528
Special Revenue	77,217	77,217	0
Capital Projects	60,000	60,000	0

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,777,221	\$ 3,628,385	\$ 148,835
Special Revenue	77,127	77,127	0
Capital Projects	60,000	60,000	0

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Years Ended June 30, 2007 & 2006**

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2007 and 2006, was as follows:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$33,182	(\$69,464)
STAR-Ohio	704,957	663,944
Repurchase Agreement	0	70,000
Petty Cash	75	75
	<hr/>	<hr/>
Total Deposits & Investments	<u>\$738,214</u>	<u>\$664,555</u>

The Council had a negative balance in their demand deposits at June 30, 2006 due to their funds being invested in overnight repurchase agreements.

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Council or (3) 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.

4. RETIREMENT SYSTEMS

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

A. State Teachers Retirement System

The Council 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. 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 10 percent of their annual covered salary to fund pension obligations and the Council is required to contribute 14 percent. 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 percent for employers.

MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO

Notes To The Financial Statements
For the Years Ended June 30, 2007 & 2006

4. RETIREMENT SYSTEMS (continued)

B. School Employees Retirement System

The Council also 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, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary, and the Council is required to contribute 14 percent. 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 percent 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."

5. RISK MANAGEMENT

The Council participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the Council's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a non-profit corporation under provisions of Ohio Revised Code 2744.

Financial Position – Schools of Ohio Risk Sharing Authority Board's financial statement (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Assets	\$ 2,310,201	\$ 1,523,984
Liabilities	(1,975,607)	(1,474,567)
Net Assets	\$ 334,594	\$ 49,417

The complete audited financial statements for the Schools of Ohio Risk Sharing Authority Board are available at the Board's website, www.sorsaschools.org. Settled claims have not exceeded this commercial coverage in any of the last three years.

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

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Years Ended June 30, 2007 & 2006**

6. FISCAL AGENT

The Tri-County Educational Service Center, Wayne County, Ohio, serves as the fiscal agent for the Council and provides certain accounting and administrative services to the Council.

7. CAPITAL LEASES

Debt outstanding at June 30, 2007 was as follows:

	Principal	Interest Rate
Key Government Financing Lease	\$84,223	4.51%
GFC Leasing	\$11,700	7.88%

The Council entered into a lease purchase agreement with Key Government Finance, Inc. on May 11, 2006. The Council is leasing a computer networking equipment with acquisition cost of \$120,000. The lease is for a period of three years with an interest rate of 4.51%. Semiannual payments are \$21,608 with final payment due May 25, 2009.

The Council entered into a lease purchase agreement with GFC Leasing on January 17, 2006. The Council is leasing a computer networking equipment with acquisition cost of \$20,144. The lease is for a period of thirty-six months with an interest rate of 7.88%. Monthly payments of payments are \$626 with final payment due in January 2009.

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2007:

Year Ending June 30	Key Government Financing Lease	GFC Leasing
2008	\$43,216	\$7,512
2009	43,216	7,512
Total Minimum Lease Payments	\$86,432	\$15,024
Less Amount Representing Interest	(2,209)	(3,324)
Present Value of Future Lease Payments	\$84,223	\$11,700

8. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To the Executive Committee:

We have audited the financial statements of the Midland Council of Governments, Wayne County, Ohio (Council) as of and for the years ended June 30, 2007 & 2006, and have issued our report thereon dated September 26, 2007, wherein we noted the Council followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures 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 Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council'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 the normal course of 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 Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State of Ohio such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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, grants agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Council in a separate letter dated September 26, 2007.

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

Charles E. Harris & Associates, Inc.
September 26, 2007

**MIDLAND COUNCIL OF GOVERNMENTS
WAYNE COUNTY
For the Years Ended June 30, 2007 & 2006**

SCHEDULE OF PRIOR AUDIT FINDINGS

The audit report, for the years ending June 30, 2005 and 2004, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

MIDLAND REGIONAL 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
DECEMBER 20, 2007**