



**SUMMIT COUNTY COUNCIL OF GOVERNMENTS
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Summit County Council of Governments
Summit County
538 East South Street
Akron, Ohio 44311-1843

To the Executive Committee:

We have audited the accompanying financial statements of the Summit County Council of Governments, Summit County, Ohio, (SCOG) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the SCOG'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 discussed in Note 1, the SCOG 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 Summit County Council of Governments, Summit County, Ohio, as of December 31, 1999 and 1998, 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 May 31, 2000 on our consideration of the SCOG'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 management, the Executive Committee 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 black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 31, 2000

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Cash Receipts:		
Intergovernmental	5,000	5,000
Earnings on Investments	<u>392</u>	<u>990</u>
 Total Cash Receipts	 <u>5,392</u>	 <u>5,990</u>
Cash Disbursements:		
Current:		
General Government	<u>3,750</u>	<u>8,199</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>1,642</u>	 <u>(2,209)</u>
 Fund Cash Balances, January 1	 <u>15,795</u>	 <u>18,004</u>
 Fund Cash Balances, December 31	 <u><u>\$17,437</u></u>	 <u><u>\$15,795</u></u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Summit County Council of Governments (SCOG) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The SCOG is directed by a nine member Executive Committee appointed by the General Assembly of the SCOG. The General Assembly is comprised of representatives from each member Governmental entity. The SCOG provides a permanent forum for discussion and study of problems of mutual interest and concern to Summit County and its member villages, townships, school districts and special districts. It also develops policies and action recommendations for implementation either by the SCOG itself, or by one or more of its local member governing bodies.

The SCOG's management believes these financial statements present all activities for which the SCOG 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

All cash is maintained in a negotiable order of withdrawal (N.O.W.) account and Certificates of Deposit.

D. Fund Accounting

The SCOG uses fund accounting to segregate cash and investments that are restricted as to use. The SCOG classifies its fund 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 to be accounted for in another fund.

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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$17,437	\$5,795
Certificates of deposit	<u>0</u>	<u>10,000</u>
Total deposits	<u>\$17,437</u>	<u>\$15,795</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.



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

Summit County Council of Governments
Summit County
538 East South Street
Akron, Ohio 44311-1843

To the Executive Committee:

We have audited the accompanying financial statements of Summit County Council of Governments (SCOG) as of and for the years ended December 31, 1999 and 1998 and have issued our report thereon dated May 31, 2000. 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 SCOG'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 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 SCOG'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 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 judgement, could adversely affect the SCOG's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 1999-20977-001 through 1999-20977-003.

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. However, we believe that none of the reportable conditions described above are material weaknesses.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 31, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Reportable Conditions

Finding Number	1999-20977-001
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Dual Check Signatures

Executive Committee meeting minute records dated November 19, 1998 indicate the Summit County Council of Governments (the SCOG) adopted a policy to have dual signatures on all checks; however, checks have been signed only by the Finance Officer. This increases the risk that monies could be misappropriated and not detected in a timely manner.

The Executive Committee should modify their policy to indicate specifically who is authorized to sign checks and ensure this policy is implemented. This will help ensure monies are not misappropriated.

Finding Number	1999-20977-002
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Internal Control Deficiencies

During testing, the following internal control deficiencies were noted:

- The Finance Officer did not perform monthly bank reconciliations. As a result, errors or irregularities may not be detected timely.
- The Finance Officer provided the Executive Committee monthly financial statements for only the months of March, June and July 1998. As a result, the Executive Committee could not analyze the SCOG's current and long-term financial position.
- The Finance Officer did not include certificate of deposit balances totaling \$10,000 and \$16,500 in 1999 and 1998, respectively, within the fund cash balance. Certificates of deposit in 1999 and 1998 represented approximately 63% and 92%, respectively, of the fund cash balance. As a result, the SCOG's cash balance was understated and not properly reconciled to the cash fund balances.

The Finance Officer should perform the following:

- The Finance Officer should prepare and submit monthly bank account reconciliations to the Executive Committee for review and approval in the minute records. This will help ensure errors or irregularities are detected timely.
- The Finance Officer should present monthly financial reports to the Executive Committee for review and approval in the minute records. This will help ensure the Executive Committee can analyze the SCOG's current and long-term financial position.
- The Finance Officer should include all investment balances in the cash fund balance. This will ensure the SCOG reconciles all bank and investment balances to the total cash fund balance.

Finding Number	1999-20977-003
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Daily Operations

The SCOG received one and two receipts in 1999 and 1998, respectively, and made four and one disbursements in 1999 and 1998, respectively. In addition, the Executive Committee has not met since November 1998. As a result, the SCOG is not functioning in a capacity which benefits its members or the citizens of Summit County.

The SCOG should consider ceasing operations and distribute an equitable portion of the remaining bank account balance to its members. In addition, the SCOG should consult with legal counsel in regards to its operations and distribution of the bank account balance. This will help ensure the SCOG has appropriately ceased operations and distributed the bank account balance in accordance with the law.



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COUNCIL OF GOVERNMENTS

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
JUNE 27, 2000**