



**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY

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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](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

Heartland Council of Governments  
Richland County  
1495 Longview Avenue, Suite 100  
Mansfield, Ohio 44906

To the Members of the Board:

We have audited the accompanying financial statements of the Heartland Council of Governments, Richland County, Ohio, (the COG) as of and for the years ended June 30, 2001 and 2000. These financial statements are the responsibility of the COG's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 discussed in Note 1, the COG 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 and reserves for encumbrances of the COG as of June 30, 2001 and 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 September 21, 2001, on our consideration of the COG'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 audits.

This report is intended solely for the information and use of management, the Members of the Board 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.

**Jim Petro**  
Auditor of State

September 21, 2001

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**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<b>2001</b>	<b>2000</b>
Cash Receipts:		
Intergovernmental	\$647,130	\$357,583
Charges for Services	803,346	669,235
Sales	39,844	30,479
Interest Income	33,069	21,917
Miscellaneous	9,219	45,608
Total Cash Receipts	1,532,608	1,124,822
Cash Disbursements:		
Current:		
Employees' Salaries	510,344	436,018
Fringe Benefits	171,796	142,221
Purchased Services	394,956	356,697
Supplies and Materials	71,546	52,975
Other	20,302	22,528
Capital Outlay	171,503	229,380
Total Cash Disbursements	1,340,447	1,239,819
Excess of Cash Receipts Over/(Under) Cash Disbursements	192,161	(114,997)
Other Financing Receipts (Disbursements):		
Refund of Prior Year Expenditures	52	40,373
Refund of Prior Year Receipts	(34,704)	(35,928)
Excess of Cash Receipts and Other Financing Receipts Over/ (Under) Cash Disbursements And Other Financing Disbursements	157,509	(110,552)
Fund Cash Balances, July 1	354,606	465,158
Fund Cash Balances, June 30	\$512,115	\$354,606
Reserves for Encumbrances, June 30	\$54,516	\$22,718

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

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**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Heartland Council of Governments, Richland County, (the COG) (formerly North Central Ohio Computer Cooperative) 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 COG changed its name from the North Central Ohio Computer Cooperative on August 14, 1998. Eligibility for membership in the COG includes 15 local school districts, one educational service center, and one career technology center. Each Board appoints its Superintendent to act as its representative at COG meetings and for all COG business. The COG provides an employing authority which can administer all personnel functions needed to facilitate the use of temporary excess computer capacity and personnel time to provide computer services to nonmembers and to permit the expansion into new areas of technology.

The COG's management believes these financial statements present all activities for which the COG 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, and disbursements are recognized when paid rather than when a liability is incurred. These statements include adequate disclosures of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash**

The COG's cash is held and invested by the Pioneer Career and Technology Center (the Center) Treasurer, who acts as custodian for COG monies. The COG's assets are held in the Center's cash and investment pool and are valued at the Center's reported carrying amount.

The COG's cash is maintained in the Center's cash and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30, 2001 and 2000 was \$512,115 and \$354,606, respectively.

**D. Fund Accounting**

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

**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 2001 and 2000 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 statement.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000  
(Continued)**

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

**G. Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the COG.

**H. Related Party Transactions**

The COG rents office space from one of its members, the Mid-Ohio Educational Service Center. The rent is paid four times a year totaling \$16,385.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the fiscal years ended June 30, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,405,620	\$ 1,532,660	\$ 127,040

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,649,993	\$ 1,429,667	\$ 220,326

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 712,900	\$ 1,165,195	\$ 452,295

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,728,670	\$ 1,298,465	\$ 430,205

**3. RISK MANAGEMENT**

The COG has general liability coverage through the Pioneer Career and Technology Center. The COG also provides health insurance and dental and vision coverage to full-time employees through Self Funded Plans, Inc. through the Center.

**HEARTLAND COUNCIL OF GOVERNMENTS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000  
(Continued)**

**4. RETIREMENT SYSTEMS**

The COG provides retirement benefits to all certificated employees under the State Teachers' Retirement System and to all noncertified employees under the School Employees Retirement System.

**A. School Employees Retirement System**

The COG 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 per cent of their annual covered salary, and the COG is required to contribute 14 per cent. 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 COG pays an additional 14% 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."

**B. State Teachers Retirement System**

The COG also 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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 for STRS. 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 9.3 per cent of their annual covered salary and the COG is required to contribute 14 per cent. 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 per cent for employers.

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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 ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Heartland Council of Governments  
Richland County  
1495 Longview Ave., Suite 100  
Mansfield, Ohio 44906

To the Members of the Board:

We have audited the accompanying financial statements of the Heartland Council of Governments, Richland County, Ohio, (the COG) as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated September 21, 2001. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the COG'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 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 COG'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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the COG in a separate letter dated September 21, 2001.

Heartland Council of Governments  
Richland County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

September 21, 2001



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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

**HEARTLAND COUNCIL OF GOVERNMENTS**

**RICHLAND 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 16, 2001**