



**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT
ORGANIZATION
SUMMIT COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State
Betty Montgomery**

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Northeast Ohio Four County Regional
Planning and Development Organization
Summit County
180 East South Street
Akron, Ohio 44311

To the General Policy Board:

We have audited the accompanying general-purpose financial statements of the Northeast Ohio Four County Regional Planning and Development Organization, Summit County, Ohio, (NEFCO) as of and for the year ended June 30, 2003. These general-purpose financial statements are the responsibility of the NEFCO's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of NEFCO, as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003 on our consideration of NEFCO'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.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The Schedule of Indirect Costs and Cost Allocation Method as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**COMBINED BALANCE SHEET - SPECIAL REVENUE FUNDS AND ACCOUNT GROUPS
AS OF JUNE 30, 2003**

	Account Groups		Totals (Memorandum Only)
	Special Revenue Funds	General Fixed Assets	
Assets and Other Debits:			
Assets:			
Cash and cash equivalents	\$65,274		\$65,274
Accounts receivable	116,924		116,924
Vehicle deposits held	250		250
Fixed assets		\$69,670	69,670
Other Debits:			
Amount to be provided for long-term obligations		\$14,458	14,458
Total Assets and Other Debits	182,448	69,670	266,576
Liabilities, Fund Equity and Other Credits:			
Liabilities			
Accounts payable	17,302		17,302
Salaries and wages payable	4,518		4,518
Unearned revenue	85,885		85,885
Short-term note payable	20,000		20,000
Compensatory time payable		1,644	1,644
Vacation time payable		12,814	12,814
Total Liabilities	127,705	0	142,163
Fund Equity and Other Credits:			
Investment in fixed assets		69,670	69,670
Unreserved and undesignated	54,743		54,743
Total Fund Equity and Other Credits	54,743	69,670	124,413
Total Liabilities, Fund Equity and Other Credits	\$182,448	\$69,670	\$266,576

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

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Special Revenue
Revenues:	
Grants	\$173,190
Charges for Services	34,965
Local Dues Assessment	159,924
Investment Income	417
Other Receipts	2,473
Total Revenues	370,969
Expenditures:	
Salaries	251,425
Supplies	4,484
Equipment	23,591
Contracts - Repair	2,422
Contracts - Services	17,442
Rentals	31,164
Public Employees' Retirement	28,255
Worker's Compensation	1,691
Other	25,072
Total Expenditures	385,546
Total Revenues (Under) Expenditures	(14,577)
Fund Balances, July 1	69,320
Fund Balances, June 30	\$54,743

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

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) was formed as a Regional Council of Governments by the elected officials within Portage, Stark, Summit and Wayne Counties pursuant to Chapter 167 of the Ohio Revised Code. Its purpose is to foster a cooperative effort in regional planning and programming, and the implementation of regional plans and programs. NEFCO is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policies and actions and related recommendations.

NEFCO is directed by a General Policy Board of 41 appointed officials and citizens from each of the four counties, as well as from the cities of Akron, Canton, Wooster and Kent, Ohio.

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at \$.145 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants.

NEFCO'S management believes these financial statements present all activities for which the entity is financially accountable.

B. Basis of Accounting

NEFCO maintains its daily accounting records using a basis of accounting that incorporates only certain elements of generally accepted accounting principles (GAAP). This system of accounting requires additional adjusting entries in order to prepare financial statements in accordance with GAAP.

C. Fund Accounting

NEFCO's accounting system does not currently maintain information in accordance with fund accounting. NEFCO compiles its financial statements at a combined fund type level using system generated reports and manual records. NEFCO classifies its activity into the following type:

Special Revenue Funds

This combined fund is used to account for all financial activity of NEFCO.

Account Groups

General Fixed Assets Account Group – This account group is used to account for property, plant and equipment that is not accounted for in any other fund.

General Long-Term Obligations Account Group – This account group is used to account for long term obligations that are not accounted for in any other fund.

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Revenues and Expenditures

The modified accrual basis of accounting is followed for the Special Revenue Funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The available period for NEFCO is 60 days after year end.

Local dues assessments and grant awards measurable as of June 30, 2003, whose availability is within 60 days after year end but are intended to finance fiscal year 2004 operations, respectively, have been recorded as unearned revenues.

Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

E. Fixed Assets

Fixed Assets are not capitalized in the fund which acquired them. Instead, capital acquisition and construction costs are reflected as expenditures in the Special Revenue Funds, and related assets are reported in the General Fixed Assets Account Group. Fixed assets are capitalized at cost and updated for additions and retirements during the year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. There are no set dollars threshold established. NEFCO capitalized all long-lived tangible assets acquired by them.

F. Compensated Absences

NEFCO employees are entitled to compensated absences (vacation) based on their length of employment. In addition, all employees earn nonvesting accumulating rights to receive sick pay benefits. The vacation leave liability has been accrued, while sick leave benefits are expensed at the time of payment.

2. EQUITY IN POOLED CASH AND INVESTMENTS

NEFCO 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 June 30 was as follows:

Demand deposits	\$65,274
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Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

NEFCO is not subject to budgetary compliance with the Ohio Rev. Code; however, for each fiscal year, the General Policy Board adopts a budget detailing anticipated expenses for the year at the function level. For the fiscal year ended June 30, the approved budget totaled \$458,407. Total actual expenditures totaled \$385,546 for a favorable variance of \$72,861.

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. ACCOUNTS RECEIVABLE

Accounts receivable from dues as of June 30 were as follows:

Local Deposits	\$116,924
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5. FIXED ASSETS

A summary of changes in general fixed assets during the fiscal year ended June 30, 2003 were as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Equipment	\$46,079	\$23,591	\$0	\$69,670

6. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board.

OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for NEFCO was 13.55 percent of covered payroll. Contributions are authorized by State statute. NEFCO's required contributions to OPERS for the years ended June 30, 2003, 2002 and 2001 were \$28,255, \$27,048 and \$24,808, respectively. The full amount has been contributed for 2002 and 2001 92.77 percent has been contributed for 2003 with the remainder being reported as an "accounts payable" on the balance sheet.

7. POSTEMPLOYMENT BENEFIT

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted to State statute. For 2002 (latest information available), the contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. POSTEMPLOYMENT BENEFIT (Continued)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming to change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. NEFCO's actual contributions for 2003 which were used to fund postemployment benefits were \$10,426. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

8. RISK MANAGEMENT

NEFCO is exposed to various risks of loss related to torts; theft and damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

- General liability and casualty
- Public officials' liability

NEFCO also provides health insurance and dental and vision coverage for full-time employees through the County of Summit.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. OPERATING LEASE

NEFCO entered into an operating lease agreement with Summit County for use of property. The premises shall be for the location of NEFCO. The lease commenced June 1, 2002, and shall terminate on May 31, 2004. The renewal of the lease will be determined by the Board. The monthly charge for rent is \$2,083 payable the first of each month. The County is responsible for the interior and exterior maintenance and repairs, utilities, and insurance for risk of fire and malicious mischief. NEFCO is responsible for telephone service, inspections and/or permits, and comprehensive general liability insurance.

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION METHOD (UNAUDITED)
JUNE 30, 2003**

Indirect costs were distributed to projects and activities pursuant to a method of allocation required by the Office of Management and Budget Circular A-87 and Handbook 6042.1, Revised.

The indirect cost allocation rate for the fiscal year ended June 30, 2003 was as follows:

A.	Indirect costs for all projects	\$ 146,702
B.	Total direct salaries and fringes	\$270,843
C.	Allocation percentage (A/B)	54.2%

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2003:

Salaries and Wages	\$34,766
Insurance	33,504
Contract Services	14,027
Travel	2,674
Supplies	5,760
Telephone/Internet Access	936
Postage	4,450
Equipment Rental	2,051
Equipment	10,559
Dues and Subscriptions	3,891
Service Charges	709
Utilities and Maintenance	1,034
Office Rental	29,162
Miscellaneous	71
Accounting	1,433
Advertising	<u>4,876</u>
Total Indirect Cost	<u>\$146,702</u>

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**Auditor of State
Betty Montgomery**

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

Northeast Ohio Four County Regional
Planning and Development Organization
Summit County
180 East South Street
Akron, Ohio 44311

To the General Policy Board:

We have audited the accompanying financial statements of the Northeast Ohio Four County Regional Planning and Development Organization, Summit County, Ohio, (NEFCO) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. 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 NEFCO'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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NEFCO'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 NEFCO'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 2003-001 and 2003-002.

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 none of the reportable conditions described above is a material weakness.

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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 NEFCO in a separate letter dated December 12, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003

**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

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

FINDING NUMBER 2003-001

Reportable Condition

Accounting and Reporting

During testing of the trials and the report, the following points were noted:

1. NEFCO has elected to prepare financial statements in accordance with generally accepted accounting principles (GAAP) as applied to governmental organizations. However, because NEFCO maintains its daily accounting records using a basis of accounting that incorporates only certain elements of GAAP, this system of accounting requires additional adjusting entries in order to prepare financial statements in accordance with GAAP. The audit identified areas where additional adjusting entries were necessary.
2. Although NEFCO reports all its activity as being within Special Revenue funds, no policy exists identifying the individual funds or their specific purpose. Additionally, NEFCO compiles its financial statements at a combined fund type level, and maintains no supporting schedules or fund statements isolating the activity of the individual funds.
3. NEFCO's accounting system does not currently maintain information in accordance with fund accounting. Although NEFCO utilizes several bank accounts to assist in isolating the activity of various grants as well as job reports to allocate grant expenditures, its accounting software system is currently unable to produce reports reflecting self balancing individual funds.

In order to improve accounting and reporting, NEFCO should:

1. Report its activity using either a basis which is similar to the cash receipts and disbursements basis or one that is in conformity with GAAP. In part, when determining which basis would best suit the entity's needs:
 - The Executive Director should consult with NEFCO's General Policy Board and the Audit Committee to determine any reporting requirements that must be satisfied in accordance with any applicable laws, grant agreements and/or contracts with outside parties.
 - If it is determined that a GAAP basis is to be utilized, NEFCO should become familiar with the requirements of the new reporting model under GASB 34. These requirements include specific changes in the presentation of the financial statements, the inclusion of Management's Discussion and Analysis, and other required supplementary information. If NEFCO elects to report following GAAP, implementation of GASB 34 would be required for fiscal year 2004.
 - In considering the implementation of GASB 34, NEFCO should determine whether additional consulting services would be required in order to meet the reporting requirements.

**FINDING NUMBER 2003-001
(Continued)**

Reportable Condition (Continued)

Accounting and Reporting (Continued)

2. Adopt a financial reporting policy detailing the types of funds to be utilized, the procedures for preparing the financial statements, and the frequency of internal and external reports. In developing its financial reporting policy, the Executive Director should consult with the General Policy Board and the Audit Committee in order to ascertain their reporting goals and determine the type of funds to be utilized. For example, if the Board prefers a focus on the entity's business type activities with an emphasis on whether costs are being covered by charges, then an enterprise fund might be utilized. Conversely, if the Board prefers a focus on the entity's grant activities, then the use of special revenues funds for individual grants and a general fund for general membership fees should be utilized.
3. Ensure that its accounting system is set up in accordance with the financial reporting policy described above. After establishing the funds within the accounting system, NEFCO should establish accounts within each fund to easily capture and properly classify all of the activity of the respective fund.

FINDING NUMBER 2003-002

Reportable Condition

Fixed Assets

NEFCO utilizes its accounting software to record its historical fixed asset amounts. However, these amounts have not been updated since June 30, 2001. In the prior audit an adjustment for \$2,697 was made to the financial statements. This amount was not corrected in NEFCO's computer system as of June 30, 2002. In addition, NEFCO does not have a Board approved fixed asset policy for reporting its fixed assets. During 2003, an adjustment of \$23,591 had to be made to the current year financial statements to properly record the fixed assets acquired during the year.

NEFCO should adopt a written policy that outlines the tracking and recording of its fixed assets. It should include, but not limited to, the following:

- The threshold amount for fixed assets to be capitalized, including the useful life
- Whether items that are purchased which, in aggregate, exceed the threshold, but individually do not, should be capitalized
- Whether NEFCO will capitalize software
- How depreciation will be computed (straight-line, fraction of years) (as required by GASB Statement #34)
- How assets will be deleted

Implementation of such a policy will help NEFCO ensure the accuracy and completeness of the amounts reported on its financial statements.



**Auditor of State
Betty Montgomery**

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NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING & DEVELOPMENT ORGANIZATION

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
JANUARY 20, 2004**