



**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT
ORGANIZATION
SUMMIT COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2004**



**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 financial statements of Northeast Ohio Four County Regional Planning and Development Organization, Summit County, Ohio, (NEFCO) as of and for the year ended June 30, 2004. These financial statements are the responsibility of NEFCO'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 *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.

As discussed in Note 1, NEFCO 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 balance of NEFCO as of June 30, 2004, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As discussed in Note 2, during the year ended June 30, 2004, NEFCO changed its financial statement reporting basis from generally accepted accounting principles (GAAP) to a basis of accounting prescribed or permitted by the Auditor of State.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2005 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 accompanying 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 accompanying financial statements. Such information had not been subjected to the auditing procedures applied in the audit of the accompanying financial statements, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the General Policy 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.

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

Betty Montgomery
Auditor of State

February 28, 2005

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Special Revenue</u>
Cash Receipts:	
Grants	\$207,596
Charges for Services	3,000
Local Dues Assessment	171,770
Investment Income	197
Other Receipts	<u>69</u>
Total Cash Receipts	<u>382,632</u>
Cash Disbursements:	
Salaries	286,209
Supplies	6,460
Equipment	8,525
Contracts - Repair	919
Contracts - Services	25,479
Rentals	27,346
Public Employee's Retirement	32,300
Worker's Compensation	4,726
Other	<u>13,243</u>
Total Disbursements	<u>405,207</u>
Total Receipts (Under) Disbursements	<u>(22,575)</u>
Other Financing Receipts/(Disbursements):	
Note Issuance	20,000
Re-payment of Note	<u>(20,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(22,575)
Fund Cash Balances, July 1, Restated (See Note 2)	<u>65,274</u>
Fund Cash Balances, June 30	<u><u>\$42,699</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) 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. NEFCO is directed by a 42 member Board. 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 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

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. Fund Accounting

NEFCO's utilizes Peachtree accounting software to maintain their financial information. The software allows for the accurate tracking of revenue and expenditure information in accordance with fund accounting, however, it does not have the ability to print reports that include the fund balance. Since NEFCO is not required by the Ohio Revised Code to encumber funds, the cash balance is equal to the fund balance. NEFCO classifies its activity into the following type:

Special Revenue Funds

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

D. Property, Plant and Equipment

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 the basis of accounting the NEFCO uses.

2. FUND BALANCE RESTATEMENT

Effective for the fiscal year ended June 30, 2004, NEFCO changed its basis of accounting from generally accepted accounting principles (GAAP) to a basis of accounting prescribed or permitted by the Auditor of State, as described in Note 1. As a result of the change in the basis of accounting, the Special Revenue Fund beginning balance on July 1, 2003 was \$65,274.

	<u>Special Revenue Fund</u>
Ending Fund Balance, as previously reported, June 30, 2003	\$54,743
Prior Year GAAP adjustments:	
Accounts Receivable	(116,924)
Vehicle Deposits Held	(250)
Accounts Payable	17,302
Salaries and Wages Payable	4,518
Unearned Revenue	85,885
Short-Term Note Payable	<u>20,000</u>
Restated Fund Balance, July 1, 2003	<u><u>\$65,274</u></u>

3. 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	\$42,699
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Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation.

4. BUDGETARY ACTIVITY

NEFCO is not subject to budgetary compliance with the Ohio Revised Code; however, for each fiscal year, the General Policy Board adopts a budget detailing anticipated disbursements for the year at the function level. For the fiscal year ended June 30, the approved budget totaled \$455,198. Total actual expenditures totaled \$405,207 for a favorable variance of \$49,991.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

5. RETIREMENT SYSTEM

Full-time employees participate in the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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 2004 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, 2004, 2003, and 2002 were \$33,187, \$28,255, and \$27,048, respectively. The full amount has been contributed for 2003 and 2002. 92.20 percent has been contributed for 2004.

6. 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: a) General liability and casualty and b) Public officials' liability

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

7. 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.

8. 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 original lease commenced June 1, 2002, and terminated on May 31, 2004. The monthly payment under this lease was \$2,083. On March 17, 2004, the General Policy Board approved the renewal of the lease for two years, with a 5% increase in cost. The monthly cost is now \$2,187.50. 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.

9. LINE OF CREDIT

NEFCO received a \$20,000 line of credit with National City Bank for operating disbursement at a fluctuating rate of 2% on April 11, 2003. The line of credit was paid back on July 29, 2003. In addition, NEFCO drew down \$20,000 on May 12, 2004 for operating disbursements due to delays in funding.

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

**SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION METHOD (UNAUDITED)
JUNE 30, 2004**

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, 2004 was as follows:

A. Indirect costs for all projects	\$143,433
B. Total direct salaries and fringes	\$243,305
C. Allocation percentage (A/B)	59%

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2004:

Indirect Payroll	\$35,691
Indirect Payroll (WC Un-reimbursed)	842
Indirect Payroll (Vac./Sick)	37,277
Indirect Contract	915
Telephone	380
Accounting	1,437
Travel	2,434
Insurance	2,161
Membership	3,535
Professional Fees (Legal, Audit)	11,191
Interest	299
Equipment	4,067
Equipment Rental	4,459
Audio Publications	2,247
Office Supplies	2,768
Outside Reproduction	794
Postage	3,747
Subscriptions	2,391
Building Maintenance	4
Computer Supplies	1,100
Service Charges	1,051
Advertising	52
Office Rent	23,018
Internet Access	<u>1,574</u>
Total Indirect Cost	<u>\$143,433</u>



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, 2004, and have issued our report thereon dated February 28, 2005, in which we noted NEFCO changed its financial statement reporting basis from generally accepted accounting principles (GAAP) to a basis of accounting prescribed or permitted by the Auditor of State. 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 NEFCO's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NEFCO's internal control over financial reporting 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 other matters involving the internal control over financial reporting that does not require inclusion in this report that we have reported to NEFCO's management in a separate letter dated February 28, 2005.

This report is intended solely for the information and use of the audit committee, management, and 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

February 28, 2005

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Accounting and Reporting – Presentation of Financial Statements	Yes	Finding no longer valid.
2003-002	Fixed Assets	Yes	Finding no longer valid.



**Auditor of State
Betty Montgomery**

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**NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND
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
MAY 5, 2005**