



**Auditor of State  
Betty Montgomery**



**SOUTHWEST COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY**

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**Auditor of State  
Betty Montgomery**

Southwest Council of Governments  
Cuyahoga County  
6281 Pearl Road  
Parma Heights, Ohio 44130

Members of the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

June 13, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Southwest Council of Governments  
Cuyahoga County  
6281 Pearl Road  
Parma Heights, Ohio 44130

Members of the Council:

We have audited the accompanying financial statements of the Southwest Council of Governments, Cuyahoga County, Ohio, (the Council) as of and for the years ended December 31, 2005 and December 31, 2004. 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 audits provide 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 December 31, 2005 and December 31, 2004. 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 December 31, 2005 and December 31, 2004 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 December 31, 2005 and December 31, 2004, 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 fund cash balances of the Southwest Council of Governments, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and its 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 December 31, 2005 and December 31, 2004. 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 June 13, 2006, 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 the 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 considering the results of our audit.



**Betty Montgomery**  
Auditor of State

June 13, 2006



**SOUTHWEST COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash Receipts:</b>		
Membership	\$138,000	\$135,000
Interest	2,242	2,203
SERT Clean Up Reimbursement Costs	11,196	13,373
Miscellaneous	1,678	48
Total Cash Receipts	<u>153,116</u>	<u>150,624</u>
 <b>Cash Disbursements:</b>		
Administration	16,739	19,468
Training/Education	43,180	29,177
Equipment/Vehicles	31,953	71,401
Supplies/Uniforms	11,525	8,752
Communications	1,548	1,410
Insurance	9,376	8,719
Total Cash Disbursements	<u>114,321</u>	<u>138,927</u>
 Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>38,795</u>	<u>11,697</u>
 Fund Cash Balances, January 1	<u>278,565</u>	<u>266,868</u>
 Fund Cash Balances, December 31	<u><u>\$317,360</u></u>	<u><u>\$278,565</u></u>

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

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**SOUTHWEST COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Southwest Council of Governments, Cuyahoga County, Ohio, (the Council) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council was established in 1972 and incorporated under the statutory guidelines of Ohio Revised Code Chapter 167. The Council currently consists of the municipal corporations of Berea, Brecksville, Broadview Heights, Brooklyn, Brooklyn Heights, Brook Park, Brunswick, Cuyahoga Heights, Independence, Middleburg Heights, Newburgh Heights, North Royalton, Olmsted Falls, Olmsted Township, Parma, Parma Heights, Seven Hills, Strongsville and Valley View.

The Council has two purposes. The Southwest Enforcement Bureau's purpose is to provide cooperative efforts between the law enforcement agencies of the members; serve as a forum for discussion of area-wide law enforcement problems; collect and exchange information relating to law enforcement activities; and to provide for the exchange of services, physical assistance, and mutual aid among members in such a manner as deemed necessary and appropriate by the Council for effective law enforcement. The Southwest Emergency Response Team's (formerly HAZMAT) purpose is to provide cooperative efforts between the fire departments of the members; serve as a forum for discussion of area-wide hazardous materials problems; collect and exchange information relating to fire protection activities; and to provide for the exchange of services, physical assistance, and mutual aid among members in such a manner as deemed necessary and appropriate by the Council for effective fire protection and hazardous materials response.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclosure of material matters the Auditor of State prescribes.

**C. Cash (and Investments)**

No investments are included in fund cash balances at December 31, 2005 and December 31, 2004.

**D. Fund Accounting**

The Council uses fund accounting to segregate cash and investments that are restricted to use. The Council classifies its only fund as a General Fund:

**General Fund**

The General Fund is the general operating fund. It is used to account for all Council financial activity.

**SOUTHWEST COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**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.

**2. EQUITY IN POOLED CASH**

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

	2005	2004
Demand Deposits	\$317,360	\$278,565
Total Investments	0	0
Total Deposits	<u>\$317,360</u>	<u>\$278,565</u>

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

**3. RETIREMENT SYSTEM**

The Council's Secretary/Treasurer belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost-sharing, multiple employer public employee retirement plan. OPERS' plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. The Councils OPERS member contributes 8.5% of his gross salary. The Council contributed an amount equal to 13.55% of the participant's gross salary through December 31, 2005. The Council has paid all contributions required through December 31, 2005.

**4. RISK MANAGEMENT**

**Commercial Insurance**

The Council has obtained commercial insurance for the following risks:

Commercial Crime Coverage;  
Commercial Auto Coverage; and  
Commercial Inland Marine Coverage.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Southwest Council of Governments  
Cuyahoga County  
6281 Pearl Road  
Parma Heights, Ohio 44130

Members of the Council:

We have audited the financial statements of the Southwest Council of Governments, Cuyahoga County, Ohio, (the Council) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated June 13, 2006, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Council's management dated June 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance**

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters we must report under *Government Auditing Standards*. In a separate letter to the Council's management dated June 13, 2006, we reported one other matter related to noncompliance we deemed immaterial.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Southwest Council of Governments  
Cuyahoga County  
Independent Accountants' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management. It is not intended for 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

June 13, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**SOUTHWEST COUNCIL OF GOVERNMENTS**

**CUYAHOGA 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  
JULY 06, 2006**