



**SOUTHWEST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006



Mary Taylor, CPA
Auditor of State

**SOUTHWEST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

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

To the Members of 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 an 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 adverse 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.

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Mary Taylor, CPA
Auditor of State

September 23, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of 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, 2007, and 2006. 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 our audit provides 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.

Instead of the fund the accompanying financial statement presents, GAAP requires presenting entity wide statements and also presenting the Council's larger (i.e. major) fund separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Councils to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. 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, 2007, and 2006, 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, 2007, and 2006, 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, 2007, and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 September 23, 2008, 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 assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

September 23, 2008

**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, 2007 AND DECEMBER 31, 2006**

	2007	2006
Cash Receipts:		
Membership	\$142,500	\$130,500
Interest	1,152	2,080
SERT Clean Up Reimbursement Costs	33,896	27,261
HAZMAT Grant Reimbursement	241,071	0
Miscellaneous	5,054	722
Total Cash Receipts	423,673	160,563
 Cash Disbursements:		
Administration	19,571	21,543
Training/Education	51,517	69,152
Equipment/Vehicles	171,392	290,289
Supplies/Uniforms	14,289	16,930
Communications	4,968	2,367
Insurance	23,002	12,553
Total Cash Disbursements	284,739	412,834
Excess of Cash Receipts Over/(Under) Cash Disbursements	138,934	(252,271)
Fund Cash Balances, January 1	65,089	317,360
Fund Cash Balances, December 31	\$204,023	\$65,089

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, 2007 AND 2006**

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. Accounting Basis

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. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

No investments are included in the fund cash balances at December 31, 2007, and December 31, 2006.

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:

**SOUTHWEST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

General Fund

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

E. Property, Plant, and Equipment

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of cash at December 31 was as follows:

	2007	2006
Demand deposits	\$204,023	\$65,089
Total deposits	\$204,023	\$65,089

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. RETIREMENT SYSTEMS

The Council's Secretary/Treasurer belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2006</i>	<i>9.0%</i>	<i>13.70%</i>
<i>OPERS – Local</i>	<i>2007</i>	<i>9.5%</i>	<i>13.85%</i>

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, the Council's OPERS member contributed 9.5% and 9.0%, respectively, of his gross salary and the Council contributed an amount equaling 13.85% and 13.70%, respectively, of the participant's gross salary. The Council has paid all contributions required through December 31, 2007.

**SOUTHWEST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. RISK MANAGEMENT

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

5. SUBSEQUENT EVENTS

The Council purchased a hazardous materials vehicle in December 2006. The Council made two payments totaling \$273,088 with the last payment made in February 2007. The company in which the Council purchased the hazardous materials vehicle filed for bankruptcy prior to delivering the vehicle to the Council. As of September 23, 2008, the Council has not received the vehicle. The Council expects a November 11, 2008 delivery.

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Mary Taylor, CPA

Auditor of State

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

To the Members of 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, 2007 and 2006, and have issued our report thereon dated September 23, 2008, wherein we noted the Council prepared its financials using the accounting practices the Auditor of State prescribes or permits 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Council's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Council's management in a separate letter dated September 23, 2008.

Compliance and Other Matters

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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Council's management in a separate letter dated September 23, 2008.

We intend this report solely for the information and use of management. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 23, 2008



Mary Taylor, CPA
Auditor of State

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
OCTOBER 16, 2008**