



Dave Yost • Auditor of State



**SOUTHWEST OHIO COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS  
BUTLER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Southwest Ohio Computer Association Council of Governments  
Butler County  
3607 Hamilton Middletown Road  
Hamilton, Ohio 45011

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Southwest Ohio Computer Association Council of Governments, Butler County, (the Council) as of and for the years ended June 30, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Council does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Southwest Ohio Computer Association Council of Governments, Butler County as of June 30, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 1, 2016

**SOUTHWEST OHIO COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS  
BUTLER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Operating Cash Receipts</b>	
Charges for Services	\$5,499,690
Miscellaneous	70,431
	5,570,121
<i>Total Operating Cash Receipts</i>	
<b>Operating Cash Disbursements</b>	
Salaries	1,510,006
Employee Fringe Benefits	561,795
Purchased Services	2,204,895
Supplies and Materials	1,183,244
Other	29,892
	5,489,832
<i>Total Operating Cash Disbursements</i>	
<i>Operating Income (Loss)</i>	80,289
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	830,992
Sale of Bonds	2,500,000
Earnings on Investments (proprietary funds only)	17,414
Capital Outlay	(1,302,806)
	2,045,600
<i>Total Non-Operating Receipts (Disbursements)</i>	
<i>Net Change in Fund Cash Balances</i>	2,125,889
<i>Fund Cash Balances, July 1</i>	4,792,187
<i>Fund Cash Balances, June 30</i>	\$6,918,076
Reserve for Encumbrances	\$3,083,373

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

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**SOUTHWEST OHIO COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS  
BUTLER COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Southwest Ohio Computer Association Council of Governments, Butler County, Ohio (the Council), 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 Southwest Ohio Computer Association transitioned to a Council of Governments effective July 1, 2009, being organized under chapter 167 of the Ohio Revised Code. The Council operates under a Board of Directors consisting of one member, either the superintendent or treasurer, from each of the member school districts for a perpetual term.

The Council provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Council serves thirty-four schools in Butler, Hamilton, Preble, Clinton, and Warren counties. The Butler Technology and Career Development School (Butler Tech), one of the member educational providers, is the fiscal agent for the Council.

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. Deposits and Investments**

Cash received by the Council is deposited to the operating account of their fiscal agent; Butler Tech who distributes funds upon authorization of the Council. The Chief Financial Officer for the Council is the Chief Financial Officer of Butler Tech.

**D. Fund Accounting**

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its fund as an Enterprise Fund. This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

**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.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

## 2. Cash with Fiscal Agent

In accordance with the Ohio Revised Code, the Council's cash is held and invested by the Treasurer of Butler Tech, who acts as custodian for Council monies. The Council's assets are held in the school district's cash and investment pool, and are valued at the district's reported carrying amount. The Council's carrying amounts of cash on deposit with Butler Tech at June 30, 2015 was \$6,918,076.

## 3. Retirement Systems

The Council contributes to the School Employees Retirement System of Ohio (SERS). SERS is a cost-sharing multiple-employer defined benefit pension plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2015, members of SERS contributed 10% of their gross salaries. The Council contributed an amount equal to 14% of participants' gross salaries. The Council paid all contributions required through June 30, 2015.

The Council also contributes to the State Teachers Retirement System of Ohio (STRS). STRS is a cost-sharing multiple-employer defined benefit pension plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits and participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2015, members of STRS contributed 12% of their gross salaries. The Council contributed an amount equal to 14% of participants' gross salaries. The Council paid all contributions required through June 30, 2015.

## 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. Long-Term Debt

On March 10, 2015 the Council took out a loan in the amount of \$2,500,000 with a net interest cost of 3.5% for the construction of a new building. The loan was issued for a period of 15 years with a final maturity of December 1, 2029. Annual principal payments are due December 1 of each year and interest payments are due June 1 and December 1 of each year. The annual loan payments are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$150,000	\$105,535	\$ 255,535
2017	\$135,000	\$ 79,887	\$ 214,887
2018	\$140,000	\$ 75,075	\$ 215,075
2019	\$140,000	\$ 70,175	\$ 210,175
2020	\$145,000	\$ 65,187	\$ 210,187
2021-2025	\$820,000	\$243,600	\$1,063,600
2026-2030	<u>\$970,000</u>	<u>\$ 87,500</u>	<u>\$1,057,500</u>
	\$2,500,000	\$726,959	\$3,226,959

**SOUTHWEST OHIO COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS  
BUTLER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Operating Cash Receipts</b>	
Charges for Services	\$4,479,852
Miscellaneous	33,057
	<hr/>
<i>Total Operating Cash Receipts</i>	4,512,909
	<hr/>
<b>Operating Cash Disbursements</b>	
Salaries	1,464,245
Employee Fringe Benefits	542,640
Purchased Services	1,318,366
Supplies and Materials	1,004,714
Other	35,595
	<hr/>
<i>Total Operating Cash Disbursements</i>	4,365,560
	<hr/>
<i>Operating Income (Loss)</i>	147,349
	<hr/>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	690,173
Earnings on Investments (proprietary funds only)	14,131
Capital Outlay	(236,348)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	467,956
	<hr/>
<i>Net Change in Fund Cash Balances</i>	615,305
<i>Fund Cash Balances, July 1</i>	4,176,882
	<hr/>
<i>Fund Cash Balances, June 30</i>	\$4,792,187
	<hr/> <hr/>
Reserve for Encumbrances	\$431,068

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

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**SOUTHWEST OHIO COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS  
BUTLER COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. Summary of Significant Accounting Policies**

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The Council also contributes to the State Teachers Retirement System of Ohio (STRS). STRS is a cost-sharing multiple-employer defined benefit pension plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits and participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2014, members of STRS contributed 11% of their gross salaries. The Council contributed an amount equal to 14% of participants' gross salaries. The Council paid all contributions required through June 30, 2014.

## **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. Long-Term Debt**

The Council has no long-term debt as of June 30, 2014.



# Dave Yost • Auditor of State

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

Southwest Ohio Computer Association Council of Governments  
Butler County  
3607 Hamilton Middletown Road  
Hamilton, Ohio 45011

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Southwest Ohio Computer Association Council of Governments, Butler County, (the Council) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated February 1, 2016.

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

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 1, 2016





# Dave Yost • Auditor of State

**SOUTHWEST OHIO COMPUTER ASSOCIATION COUNCIL OF GOVERNMENT**

**BUTLER 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  
FEBRUARY 16, 2016**