



Dave Yost • Auditor of State

**SOUTHEAST REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southeast Regional Council of Governments
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Southeast Regional Council of Governments, Cuyahoga County, Ohio (the Council) as of and for the years ended December 31, 2016 and 2015.

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 such 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 2 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 December 31, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements, and related notes of the Southeast Regional Council of Governments, Cuyahoga County as of December 31, 2016 and 2015, 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 2.

Emphasis of Matter

As discussed in Note 6 to the financial statements, during 2016, the Council adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations* relating to the Southeast Emergency Communications Center. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, 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.

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

October 5, 2018

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Southeast Regional Council of Governments
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2016

	SEALE	SECC (January 1 - February 29, 2016)	Totals (Memorandum Only)
Cash Receipts			
Member Contributions	\$35,000	\$337,773	\$372,773
Earnings on Investments	2	0	2
<i>Total Cash Receipts</i>	<u>35,002</u>	<u>337,773</u>	<u>372,775</u>
Cash Disbursements			
Current:			
General Government:			
Salaries and Wages	4,087	192,186	196,273
Fringe Benefits	0	100,720	100,720
Contractual Services	9,397	32,931	42,328
Materials and Supplies	6,032	893	6,925
Equipment	8,212	1,906	10,118
Training	13,866	0	13,866
Miscellaneous	804	0	804
Interest and Fiscal Charges	24	0	24
<i>Total Cash Disbursements</i>	<u>42,422</u>	<u>328,636</u>	<u>371,058</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,420)</u>	<u>9,137</u>	<u>1,717</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	0	4,243	4,243
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>4,243</u>	<u>4,243</u>
Special Item	0	(112,156)	(112,156)
<i>Net Change in Fund Cash Balances</i>	<u>(7,420)</u>	<u>(98,776)</u>	<u>(106,196)</u>
<i>Fund Cash Balances, January 1</i>	<u>52,438</u>	<u>98,776</u>	<u>151,214</u>
Fund Cash Balances, December 31			
Unassigned (Deficit)	<u>45,018</u>	<u>0</u>	<u>45,018</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$45,018</u></u>	<u><u>\$0</u></u>	<u><u>\$45,018</u></u>

See accompanying notes to the basic financial statements

Southeast Regional Council of Governments*Cuyahoga County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**For the Year Ended December 31, 2015*

	SEAL	SECC	Totals (Memorandum Only)
Cash Receipts			
Member Contributions	\$35,000	\$1,471,531	\$1,506,531
Tuition and Fees	300	0	300
Earnings on Investments	2	0	2
Other Income	1,320	75,376	76,696
<i>Total Cash Receipts</i>	<u>36,622</u>	<u>1,546,907</u>	<u>1,583,529</u>
Cash Disbursements			
Current:			
General Government:			
Salaries and Wages	4,449	960,088	964,537
Fringe Benefits	0	318,366	318,366
Contractual Services	7,716	147,875	155,591
Materials and Supplies	5,823	10,813	16,636
Equipment	13,609	28,485	42,094
Training	3,337	0	3,337
Miscellaneous	1,866	0	1,866
Interest and Fiscal Charges	24	0	24
<i>Total Cash Disbursements</i>	<u>36,824</u>	<u>1,465,627</u>	<u>1,502,451</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(202)</u>	<u>81,280</u>	<u>81,078</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	0	17,496	17,496
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>17,496</u>	<u>17,496</u>
<i>Net Change in Fund Cash Balances</i>	(202)	98,776	98,574
<i>Fund Cash Balances, January 1</i>	<u>52,640</u>	<u>0</u>	<u>52,640</u>
Fund Cash Balances, December 31			
Unassigned (Deficit)	<u>52,438</u>	<u>98,776</u>	<u>151,214</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$52,438</u></u>	<u><u>\$98,776</u></u>	<u><u>\$151,214</u></u>

See accompanying notes to the basic financial statements

Southeast Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 - Reporting Entity

The Southeast Regional Council of Governments (the Council), Cuyahoga County, is a body politic and corporate established under the authority of Ohio Revised Code Sections 1702 and 167 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council is comprised of the Southeast Area Law Enforcement Network (SEALE) and the Southeast Emergency Communications Center (SECC). SEALE consists of seven member communities, each of which provides a member to the Board of Trustees. The SECC consists of four member communities, each of which provides a member to the Board of Trustees.

The Board of the SECC appoints a full-time Administrator to supervise the employees and manage the day-to-day operations. A part-time Fiscal Officer and a part-time Law Director are also appointed by the Board.

Effective March 1, 2016, the SECC officially separated from the Council. The financial statements for fiscal year 2016 reflect activity relative to the SECC for the period January 1, 2016 through February 29, 2016.

Related Organizations

The Board of the SECC has entered into a contract with the Regional Income Tax Agency (RITA) for the provision of payroll and financial/budgetary services, including report generation using SSI software applications. The Fiscal Officer of the SECC, works closely with representatives of RITA with respect to the various payroll and financial matters. The Fiscal Officer certifies his belief that the cash basis financial statements present fairly all activities for which the SECC is financially responsible.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Council's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

Basis of Accounting

These financial statements follow 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). 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Southeast Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Budgetary Process

The Ohio Revised Code provisions pertaining to budgetary requirements for governmental entities do not apply to a Council of Governments.

Deposits and Investments

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, employees may be entitled to cash payments for unused sick leave and/or vacation accruals earned prior to ending employment with the SECC. SEALE has no full-time employees subject to leave accrual. These obligations will be a liability of the General Fund of the SECC.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Council classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Governing Board can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Council Governing Board or a Council official delegated that authority by resolution, or by State Statute.

Southeast Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Deposits and Investments

The Council maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2016	2015
Demand deposits	\$45,018	\$151,214
Total deposits	\$45,018	\$151,214

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 4 - Risk Management

Workers’ Compensation coverage is provided by the State of Ohio. The Council pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Employment practices;
- Errors and omissions.

The Council is uninsured for the following risks:

- Vehicles.

Southeast Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 5 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees of the SECC, including the Administrator and part-time employees, participate with the Ohio Public Employees Retirement System (OPERS). As of February 29, 2016, the SECC employed a total of thirty (30) employees. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. For the fiscal year ended December 31, 2016, OPERS members contributed 10% of their gross salaries and the SECC contributed an amount equaling 14% of participants' gross salaries. The employer has submitted required monthly pension reports and has paid all contributions required through February 29, 2016.

Note 6 - Disposal of a Segment

In accordance with Government Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective March 1, 2016, the Board of the SECC voted to legally separate from the Council. In order to properly present the activity, the Council presented the disposal as a "special item" in the financial statements for the year ended December 31, 2016 totaling \$112,156.



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

Southeast Regional Council of Governments
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146

To the Board of Trustees:

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 cash balances, receipts, and disbursements of the Southeast Regional Council of Governments, Cuyahoga County, (the Council) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2018, wherein we noted the Council adopted the provisions of Governmental Accounting Standard No. 69, *Government Combinations and Disposals of Government Operations*, relating to the Southeast Emergency Communications Center.

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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-002 to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Council's Response to Findings

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Council's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 5, 2018

**SOUTHEAST REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Recording and Maintaining Board Minutes

<i>Finding Number</i>	2016-001
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NONCOMPLIANCE

Ohio Rev. Code Section 121.22(C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

The Southeast Emergency Communications Center submitted evidence of only two board meetings during the period, even though it appears several meetings were held. No other evidence was provided that they had more than two board meetings during the period.

Since the minute record is the voice of the Board, failure to adequately detail all actions taken by the Board allows for questions of actions taken to go unanswered and could result in the Board not being credited with fully complying with requirements of the Ohio Revised Code and other state and/or federal laws, rules and regulations. The minutes, once accepted by a vote of the Board, should be signed by the proper officials.

We recommend the Board obtain a permanent minute record book for the minutes to be recorded in. Minutes should be entered in this book in chronological order and indexed. All formal actions (resolutions, rules, policies, appointments, resignations, bid openings, awarding of contracts, etc.) should be recorded in the minute record book and in sufficient detail to support compliance with laws, rules, and regulations. We also recommend the Board meet on a monthly basis.

Official's Response: The Council did not respond to this finding.

2. Membership Rate Approval

<i>Finding Number</i>	2016-002
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MATERIAL WEAKNESS

Any membership fees charged should be done so at rates set by the governing board (the Council). Southeast Area Law enforcement Network membership rates remained the same for many years and Southeast Emergency Communications Center rates were consistent throughout the audit period. Management failed to provide supporting documentation for calculation or approval of rates; consequently, we were unable to verify the amounts charged complied with rates in force during the audit period.

We recommend the Council have all service rates approved by the Board and they keep adequate and authorized support for the membership rates.

Official's Response: The Council did not respond to this finding.

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SOUTHEAST REGIONAL 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 18, 2018**