



OHIO AUDITOR OF STATE
KEITH FABER



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

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OHIO AUDITOR OF STATE KEITH FABER

INDEPENDENT AUDITOR'S REPORT

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Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

Southwest Ohio Computer Association Council of Governments
Butler County
3611 Hamilton Middletown Road
Hamilton, Ohio 45011

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund and related notes of the Southwest Ohio Computer Association Council of Governments, Butler County, (the Council) as of and for the years ended June 30, 2019 and 2018.

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 opinion.

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 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 the 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, 2019 and 2018, 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 cash balances, receipts and disbursements for each fund, and related notes of the Southwest Ohio Computer Association Council of Governments, Butler County as of and for the years ended June 30, 2019 and 2018 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 October 21, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

October 21, 2019

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	2019
Operating Cash Receipts:	
Charges for Services	\$6,132,641
Miscellaneous	44,362
<i>Total Operating Cash Receipts</i>	6,177,003
Operating Cash Disbursements:	
Salaries and Wages	1,672,931
Employee Fringe Benefits	610,270
Purchased Services	1,527,653
Supplies and Materials	1,682,681
Debt Service	
Redemption of Principal	140,000
Interest Charges	70,175
Other	36,303
<i>Total Operating Cash Disbursements</i>	5,740,013
<i>Operating Income (Loss)</i>	436,990
Non-Operating Receipts (Disbursements):	
Intergovernmental	377,741
Earnings on Investments	84,333
Debt Proceeds	359,230
Capital Outlay	(789,128)
<i>Total Non-Operating Receipts (Disbursements)</i>	32,176
Net Change in Fund Cash Balances	469,166
Fund Cash Balances, July 1	7,344,968
Fund Cash Balances, June 30	\$7,814,134
Reserve for Encumbrances	249,194
Unencumbered Cash Balance, June 30	\$7,564,940

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, 2019**

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 forty-two public and community schools located in Butler, Darke, Hamilton, Montgomery, Preble, Clinton, and Warren counties. The Butler Technology and Career Development Schools (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 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. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)**

2. Cash with Fiscal Agent

In accordance with the Ohio Revised Code, the Council's cash is held and invested by the Chief Financial Officer of Butler Tech, who acts as custodian for Council monies. The Council's assets are held in Butler Tech'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, 2019 was \$7,814,134.

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 2019, 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, 2019.

4. Risk Management

Commercial Insurance - The Council has obtained commercial insurance for the following risks:

Comprehensive property and general liability;
Cyber and Technology Insurance; and
Errors and omissions

5. Long-Term Debt

The Council has two long-term debt obligations.

On March 10, 2015 the Council secured 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. Per the terms of the loan agreement, the Council has the ability to pay the loan in full before the original maturity date without penalty. As of June 30, 2019 the Council has not made any additional principal payments. Annual principal payments are due December 1 of each year and interest payments are due June 1 and December 1 of each year.

In August 2017, the Council was approved for an interest-free Local Government Innovation Fund (LGIF) loan from the Ohio Department of Development to build a fiber network in Butler County. This loan is payable over ten years and no payment is due the first year. During the 2018-19 fiscal year, the Council received \$359,230 in funding from the Ohio Department of Development. The Council received an initial project payment of \$100,000 in fiscal year 2017. The project was completed in December 2018 and no repayment has occurred as of June 30, 2019. The first payment is anticipated for December 2019.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)**

The following table summarizes the Council's debt activity for the year:

Governmental Activities:	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2015 Construction Loan	12/1/2029	\$2,075,000	\$0	\$140,000	\$1,935,000
2018 LGIF Loan	12/1/2028	\$100,000	\$359,230	\$0	\$459,230
Total Long-Term Debt		<u>\$2,175,000</u>	<u>\$359,230</u>	<u>\$140,000</u>	<u>\$2,394,230</u>

The annual loan payments for the Council's debt obligations are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$195,000	\$65,187	\$260,187
2021	\$200,000	\$60,025	\$260,025
2022	\$210,000	\$54,600	\$264,600
2023	\$215,000	\$48,913	\$263,913
2024	\$220,000	\$43,050	\$263,050
2025-30	<u>\$1,354,230</u>	<u>\$124,512</u>	<u>\$1,478,742</u>
	\$2,394,230	\$396,287	\$2,790,517

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	2018
Operating Cash Receipts:	
Charges for Services	\$6,669,816
Miscellaneous	70,487
<i>Total Operating Cash Receipts</i>	6,740,302
Operating Cash Disbursements:	
Salaries	1,560,377
Employee Fringe Benefits	582,315
Purchased Services	1,539,205
Supplies and Materials	1,393,128
Debt Service	
Redemption of Principal	140,000
Interest Charges	75,075
Other	44,258
<i>Total Operating Cash Disbursements</i>	5,334,358
<i>Operating Income (Loss)</i>	1,405,945
Non-Operating Receipts (Disbursements):	
Intergovernmental	395,083
Earnings on Investments	50,297
Capital Outlay	(232,816)
<i>Total Non-Operating Receipts (Disbursements)</i>	212,564
Net Change in Fund Cash Balances	1,618,509
Fund Cash Balances, July 1	5,726,460
Fund Cash Balances, June 30	\$7,344,968
Reserve for Encumbrances	740,336
Unencumbered Cash Balance, June 30	\$6,604,633

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, 2018**

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 forty-three public and community schools located in Butler, Darke, Hamilton, Montgomery, Preble, Clinton, and Warren counties. The Butler Technology and Career Development Schools (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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)**

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 Chief Financial Officer of Butler Tech, who acts as custodian for Council monies. The Council's assets are held in Butler Tech'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, 2018 was \$7,344,968.

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 2018, 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, 2018.

4. Risk Management

Commercial Insurance - The Council has obtained commercial insurance for the following risks:

Comprehensive property and general liability;
Cyber and Technology Insurance; and
Errors and omissions

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(Continued)**

5. Long-Term Debt

On March 10, 2015 the Council secured 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. Per the terms of the loan agreement, the Council has the ability to pay the loan in full before the original maturity date without penalty. As of June 30, 2018 the Council has not made any additional principal payments. 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>
2019	\$140,000	\$ 70,175	\$ 210,175
2020	\$145,000	\$ 65,187	\$ 210,187
2021	\$150,000	\$ 60,025	\$ 210,025
2022	\$160,000	\$ 54,600	\$ 214,600
2023	\$165,000	\$ 48,913	\$ 213,913
2024-2028	\$905,000	\$153,037	\$1,058,037
2029-2030	<u>\$410,000</u>	<u>\$ 14,525</u>	<u>\$ 424,525</u>
	\$2,075,000	\$466,462	\$2,541,462

6. LGIF Long-Term Loan

In August 2017, the Council was approved for a \$500,000 interest-free Local Government Innovation Fund (LGIF) loan from the Ohio Department of Development to build an fiber network in Butler County. This loan is payable over ten years and no payment is due the first year. During the 2018 fiscal year the Council received an initial receipt of \$100,000 for the project. No disbursements were made from this loan in fiscal year 2017 or 2018 and, subsequently, no repayment has occurred as of June 30, 2018.

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
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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*

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, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2019, wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 report is not suitable for any other purpose.

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

Keith Faber
Auditor of State

Columbus, Ohio

October 21, 2019

OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST OHIO COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS

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
NOVEMBER 7, 2019**