

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569



**SOUTH CENTRAL OHIO COMPUTER ASSOCIATION
REGIONAL COUNCIL OF GOVERNMENTS**

PIKE COUNTY

Regular Audit

For the Fiscal Year Ended June 30, 2013

www.perrycpas.com

...“bringing more to the table”

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
Members: American Institute of Certified Public Accountants • Ohio Society of CPAs • West Virginia Society of CPAs



Dave Yost • Auditor of State

Board Members

South Central Ohio Computer Association Regional Council of Governments
PO Box 596
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the South Central Ohio Computer Association Regional Council of Governments, Pike County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The South Central Ohio Computer Association Regional Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 19, 2015

This page intentionally left blank.

**SOUTH CENTRAL OHIO COMPUTER ASSOCIATION
REGIONAL COUNCIL OF GOVERNMENTS**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Change in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20
Schedule of Audit Findings	22

This page intentionally left blank.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

INDEPENDENT AUDITOR'S REPORT

March 28, 2015

South Central Ohio Computer Association Regional Council of Governments
Pike County
PO Box 596
Piketon, OH 45661

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the **South Central Ohio Computer Association Regional Council of Governments**, Pike County, Ohio (the Council), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 overall financial statement presentation.

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

...*"bringing more to the table"*

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
Members: American Institute of Certified Public Accountants • Ohio Society of CPAs • West Virginia Society of CPAs



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Central Ohio Computer Association Regional Council of Governments, Pike County as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2015, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

South Central Ohio Computer Association Regional Council of Governments

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)*

The discussion and analysis of the South Central Ohio Computer Association Regional Council of Government's (the "Council") financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 are as follows:

- The assets of the South Central Ohio Computer Association Regional Council of Governments exceeded its liabilities at June 30, 2013 by \$2,352,821.
- Net position of the South Central Ohio Computer Association Regional Council of Governments increased \$2,352,821 as they were a newly formed Council in fiscal year 2013.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Council is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statement of Net Position** includes all of the Council's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the Council, and obligations owed by the Council (liabilities) on June 30, 2013. The Council's net position is the difference between assets and liabilities.

The **Statement of Revenues, Expenses and Changes in Net Position** provides information on the Council's operations over the past year and the success of recovering all its costs through user fees, charges and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the Council's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

South Central Ohio Computer Association Regional Council of Governments

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)*

STATEMENT OF NET POSITION

Table 1 provides a summary of the Council's net position for 2013. No comparison is provided for 2012 as the Council was newly formed in fiscal year 2013.

Table 1
Net Position

	<u>2013</u>
<u>Assets</u>	
Current and Other Assets	\$1,779,776
Capital Assets, Net	<u>3,196,485</u>
Total Assets	<u>4,976,261</u>
<u>Liabilities</u>	
Current and Other Liabilities	1,047,900
Long Term Liabilities	<u>1,575,540</u>
Total Liabilities	<u>2,623,440</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1,500,915
Unrestricted	<u>851,906</u>
Total Net Position	<u>\$2,352,821</u>

Current and other assets mainly consisted of cash with a small balance of accounts receivable. The Council is in a strong cash position with almost \$1.8 million in cash as of June 30, 2013.

Current and other liabilities consisted of accounts payable, due to other governments, accrued wages and benefits, current portion of compensated absences payable and the current portion of capital leases payable.

Long term liabilities consisted of the long term portion of compensated absences payable and capital leases payable.

South Central Ohio Computer Association Regional Council of Governments

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)*

STATEMENT OF CHANGES IN NET POSITION

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013. No comparison is provided for 2012 as the Council was newly formed in fiscal year 2013.

Table 2
Changes in Net Position

	<u>2013</u>
Operating Revenues:	
Charges for Services	\$ 7,145,068
Intergovernmental	1,881,659
Miscellaneous	<u>67</u>
Total Operating Revenues	9,026,794
Operating Expenses:	
Personal Services	2,712,593
Employee Fringe Benefits	1,128,364
Purchased Services	2,695,496
Supplies and Materials	625,183
Depreciation	<u>372,370</u>
Total Operating Expenses	<u>7,534,006</u>
Operating Income	1,492,788
Nonoperating Expense:	
Interest Expense	<u>(38,981)</u>
Change in Net Position Before Special Item	1,453,807
Special Item - Transfer of Net Position from Discontinued Entity	<u>899,014</u>
Change in Net Position	2,352,821
Net Position - Beginning of Year	<u>0</u>
Net Position - End of Year	<u>\$ 2,352,821</u>

The most significant expenses for the Council are personal services, purchased services and employee fringe benefits. Personal services, which represent 36.0 percent of operating expenses, represent costs of employees' salaries and wages to provide services to customers of the Council. Purchased services, which represent 35.8 percent of operating expenses, represent costs to provide various services to customers of the Council which are generally contracted services. Employee fringe benefits, which represent 15.0 percent of operating expenses, represent the cost of various fringe benefits provided to the Council's employees.

The most significant revenue for the Council is charges for services. Charges for services made up 79.2 percent of operating revenues and represent revenues received for various services provided to customers of the Council. The next significant source of revenue for the Council is intergovernmental revenue which made up 20.8 percent of operating revenues. This revenue is composed of various federal and state grants provided to assist the Council in providing various services to school districts in South Central Ohio. The primary grant is E-rate which comes from the federal government, but is not subject to Single Audit Requirements. It is provided to assist school districts (through the Council) in obtaining information technology services at a reasonable cost.

South Central Ohio Computer Association Regional Council of Governments

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)*

BUDGET HIGHLIGHTS

The South Central Ohio Computer Association Regional Council of Governments is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Council had \$3,196,485 in depreciable capital assets consisting primarily of technology equipment. Additional information regarding capital assets is provided in Note 9 to the basic financial statements.

Debt Administration

At June 30, 2013, the Council had capital lease obligations outstanding in the amount of \$1,695,570. Additional information regarding capital lease obligations is provided in Note 8 to the basic financial statements.

CURRENT ISSUES

Management believes that the South Central Ohio Computer Association Regional Council of Governments is financially stable. As indicated in the preceding financial information, the Council is dependent on revenues received from customers; however, there has been significant growth in revenues during fiscal year 2013. The future looks very bright for the Council as they continue to expand services to other governments and other organizations that are looking for technology services.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Council's finances and to reflect the Council's accountability for the monies it receives. Questions about this report or additional financial information should be directed to Sandee Benson, Fiscal Officer/Treasurer at South Central Ohio Computer Association Regional Council of Governments, P.O. Box 596, 175 Beaver Creek Road, Piketon, Ohio 45661.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Statement of Net Position

As of June 30, 2013

Assets:

Current Assets

Cash and Cash Equivalents	\$ 1,770,846
Accounts Receivable	8,930
Total Current Assets	<u>1,779,776</u>

Non-current Assets

Depreciable Capital Assets, Net	<u>3,196,485</u>
---------------------------------	------------------

Total Assets	<u><u>4,976,261</u></u>
--------------	-------------------------

Liabilities and Net Position:

Liabilities

Current Liabilities

Accounts Payable	380,375
Due to Other Governments	137,930
Accrued Wages and Benefits	43,625
Current Portion of Capital Lease Payable	457,970
Current Portion of Compensated Absences Payable	28,000
Total Current Liabilities	<u>1,047,900</u>

Long Term Liabilities:

Capital Leases Payable-Net of Current Portion	1,237,600
Compensated Absences Payable-Net of Current Portion	337,940
Total Long Term Liabilities	<u>1,575,540</u>

Total Liabilities	<u><u>2,623,440</u></u>
-------------------	-------------------------

Net Position:

Net Investment in Capital Assets	1,500,915
Unrestricted	851,906
Total Net Position	<u>\$ 2,352,821</u>

Total Liabilities and Net Position	<u><u>\$ 4,976,261</u></u>
------------------------------------	----------------------------

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

South Central Ohio Computer Association Regional Council of Governments
Pike County
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2013

<hr/>	
Operating Revenues:	
Charges for Services	\$ 7,145,068
Intergovernmental	1,881,659
Miscellaneous	<u>67</u>
Total Operating Revenues	<u>9,026,794</u>
Operating Expenses	
Personal Services	2,712,593
Employee Fringe Benefits	1,128,364
Purchased Services	2,695,496
Supplies and Materials	625,183
Depreciation	<u>372,370</u>
Total Operating Expenses	<u>7,534,006</u>
Operating Income	<u>1,492,788</u>
Nonoperating Revenues (Expenses):	
Interest Expense	<u>(38,981)</u>
Total Nonoperating Revenues (Expenses)	<u>(38,981)</u>
Change in Net Position Before Special Item	1,453,807
Special Item - Transfer of Equity from Discontinued Entity	<u>899,014</u>
Change in Net Position	2,352,821
Net Position, July 1, 2012	<u>-</u>
Net Position, June 30, 2013	<u><u>\$ 2,352,821</u></u>

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

South Central Ohio Computer Association Regional Council of Governments

Pike County

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Charges for Services	\$ 7,136,138
Cash Received from Intergovernmental Services	1,881,659
Cash Received from Miscellaneous Receipts	67
Cash Payments for Salaries and Benefits	(3,431,392)
Cash Payments for Vendor Payments	<u>(2,869,429)</u>

Net Cash from Operating Activities 2,717,043

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Lease Obligations	(290,353)
Cash Payments for Interest on Capital Lease Obligations	(38,981)
Cash Payments for Capital Assets	<u>(1,362,289)</u>

Net Cash used by Capital and Related Financing Activities (1,691,623)

Cash Flows from Noncapital Financing Activities:

Special Item-Transfer of Cash from Discontinued Entity	<u>745,426</u>
--------------------------------------------------------	----------------

Net Cash from Noncapital Financing Activities 745,426

Net Increase in Cash and Cash Equivalents 1,770,846

Cash and Cash Equivalents Beginning of Year -

Cash and Cash Equivalents End of Year \$ 1,770,846

Reconciliation of Operating Income
to Net Cash from Operating Activities:

Operating Income	\$ 1,492,788
Depreciation Expense	372,370
Non-cash Effect of Special Item	(67,055)

(Increase) Decrease in Assets and

Increase (Decrease) in Liabilities:

Accounts Receivable	(8,930)
Accounts Payable	380,375
Due to Other Governments	137,930
Accrued Wages and Benefits	43,625
Compensated Absences	<u>365,940</u>

Total Adjustments 918,940

Net Cash from Operating Activities \$ 2,717,043

Non-Cash Transactions:

Capital Assets Acquired Through Capital Leases	<u><u>\$ 1,120,446</u></u>
------------------------------------------------	----------------------------

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

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

1. DESCRIPTION OF COUNCIL OF GOVERNMENTS AND REPORTING ENTITY

Description of the Entity

The South Central Ohio Computer Association Regional Council of Governments, Pike County, Ohio (the Council), formed effective July 1, 2012, is a Regional Council of Governments, governed by and construed in accordance with the laws of the State, and it is the intention of the Council Members that they shall comply with Chapter 167 of the Ohio Revised Code. The Council is established for the purpose of exercising the rights and privileges conveyed to it by the Bylaws (agreement) of the Council.

The South Central Ohio Computer Association Regional Council of Government is a legally separate Council. The Council is in a jointly governed organization with member governmental entities. The Council was formed for the primary purpose of providing information technology services to school districts, educational service centers, other governments and other organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the Council.

Management believes the financial statements included in this report represent all of the financial activity of the Council over which the Council has the ability to exercise direct operating control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Council's accounting policies are described below.

The Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Councils. Certain items of significance in the Statement include the following:

A. Basis of Presentation

The Council's basic financial statements consist of a statement of net position; a statement of revenues, expenses and change in net position; and a statement of cash flows. The Council uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses and change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

As stated above, basis of accounting determines when transactions are recorded in the financial records and reported in the basic financial statements. The Council's basic financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from the nonexchange transactions, in which the Council receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Council must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Council on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Cash and Investments

The Council's cash is held and invested by the Council in a separate demand deposit account.

E. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Council maintains a capitalization threshold of five hundred dollars. All capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Machinery and equipment	3 to 15 years
Vehicles	10 years

F. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Council will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Council has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Council's termination policy.

The Council records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The Council records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Council. The entire compensated absence liability is reported on the financial statements.

G. Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Council did not have any restricted net position as of June 30, 2013.

As of June 30, 2014, none of the Council's net position is considered restricted by enabling legislation.

I. Special Item

The Council received the assets and liabilities from the South Central Ohio Computer Association effective July 2, 2012 as the Association ceased its operations so the net amount of assets and liabilities received was recorded as a special item in the accompanying financial statements.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Council. For the Council, these revenues are charges for services provided as well as certain governmental grants which are used for operations. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. For the Council, these expenses are for personal services, fringe benefits, purchased services, and any other operating related expenses which support the operation of the Council. All revenues and expenses not meeting this definition are reported as non-operating.

K. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the basic financial statements and accompanying notes. Actual results may differ from those estimates.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Council into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Council Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

3. DEPOSITS AND INVESTMENTS (continued)

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.08 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

Protection of the Council's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Fiscal Agent by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

3. DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Agent or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Council's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds. At June 30, 2013, the bank balance of all Council deposits was either exposed to custodial risk as discussed above or covered by Federal Deposit Insurance Corporation.

4. RISK MANAGEMENT

The Council maintains commercial insurance for the following risks:

- General Liability & Casualty
- Public Officials Liability
- Vehicle
- Property

Settled claims resulting from these risks have not exceeded commercial insurance coverage in fiscal year 2013.

The Council also provides health insurance to full time employees through private carriers. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation.

5. CONTINGENCIES

Grants

The Council received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Council. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Council at June 30, 2013.

Litigation

The Council is not party to any legal proceedings.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Council contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website, www.ohsers.org, under Employers/Audit Resources.

Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the period ending June 30, 2013, the allocation to pension and death benefits is 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The Council's contributions to SERS for the year ended June 30, 2013 were \$357,663 which equaled the required contributions for the year.

B. State Teachers Retirement System

The Council participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

6. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Council was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Council's required contribution for pension obligations to STRS Ohio for the fiscal year ended June 30, 2013 was \$9,957 which equaled the required contributions for the year.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

6. POSTEMPLOYMENT BENEFITS

B. State Teachers Retirement System (continued)

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

A. School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. For the Council, contributions for the year ended June 30, 2013 were \$18,905, which equaled the required contribution for that year.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2013, the health care allocation was 0.16 percent. For the Council, the amount contributed to fund health care benefits, including the surcharge, during the 2013 fiscal year was \$4,088, which equaled the required allocation for the year.

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

7. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

8. CAPITAL LEASES

The Council has taken over the capital assets and the capital lease agreements which are with Key Government Finance, Inc. These leases were used to acquire a variety of technology equipment. The dollar amount of capital assets which were capitalized under these leases is \$ 798,723. The Council has taken over the capital assets and the capital lease agreement which is with US Bancorp for computer storage and networking equipment. The dollar amount of capital assets which were capitalized under this lease is \$272,532. During fiscal year 2013, the Council entered into capital lease agreements with TIP Capital for telephone, computer and other technology equipment. The dollar amount of capital assets which were capitalized under these leases is \$1,120,446. The Council entered into another capital lease agreement with TIP Capital during the fiscal year in the amount of \$350,979; however, as of June 30, 2013, the equipment had not been installed and no lease payments were due and payable as of that date so the capital lease obligation and capital assets are not recorded in the accompanying financial statements. All of the above capital leases are payable from the resources of the Council.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013:

Fiscal Year Ending June 30	Total Payments
2014	\$ 517,478
2015	400,516
2016	395,867
2017	386,614
2018	134,155
Total Minimum Lease Payments	<u>1,834,630</u>
Less Amount Representing Interest	(139,060)
Present Value of Minimum Lease Payments	<u>\$ 1,695,570</u>

South Central Ohio Computer Association Regional Council of Governments

Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

9. CAPITAL ASSETS

	Balance 7/1/2012	Transfer of Equity	Additions	Deletions	Balance 6/30/2013
Capital assets, being depreciated:					
Machinery and equipment	\$ -	\$ 1,344,401	\$ 2,482,735	\$ -	\$ 3,827,136
Vehicles	-	43,314	-	-	43,314
Total capital assets, being depreciated	<u>-</u>	<u>1,387,715</u>	<u>2,482,735</u>	<u>-</u>	<u>3,870,450</u>
Less accumulated depreciation:					
Machinery and equipment	-	(274,859)	(368,039)	-	(642,898)
Vehicles	-	(26,736)	(4,331)	-	(31,067)
Total accumulated depreciation	<u>-</u>	<u>(301,595)</u>	<u>(372,370)</u>	<u>-</u>	<u>(673,965)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>1,086,120</u>	<u>2,110,365</u>	<u>-</u>	<u>3,196,485</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 1,086,120</u>	<u>\$ 2,110,365</u>	<u>\$ -</u>	<u>\$ 3,196,485</u>



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

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

March 28, 2015

South Central Ohio Computer Association Regional Council of Governments
Pike County
PO Box 596
Piketon, OH 45661

To the Governing Board:

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 **South Central Ohio Computer Association Regional Council of Governments**, Pike County, (the Council) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated March 28, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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 Entity'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. We consider findings 2013-001 through 2013-002 in the accompanying schedule of audit findings to be material weaknesses.

... "bringing more to the table"

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
Members: American Institute of Certified Public Accountants • Ohio Society of CPAs • West Virginia Society of CPAs



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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**SOUTH CENTRAL OHIO COMPUTER ASSOCIATION REGIONAL COUNCIL OF GOVERNMENTS
PIKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-001

Material Weakness

Controls over Financial Statement Preparation

We noted during our audit of the Council that employees or management did not adequately review the financial statements prepared by an outside firm in order to prevent, detect and correct material misstatements in the financial statements prepared in accordance with generally accepted accounting principles.

We noted the following in relation to the financial statements presented for audit:

- Capital assets were understated;
- Capital leases were understated;
- Net position was presented as unrestricted, instead of the portion relating to capital assets less outstanding debt being presented as net investment in capital assets;
- Depreciation expense was not presented by function in the capital asset footnote;
- Changes in long-term liabilities with increases and decreases reported separately were not presented in the capital lease footnote.

Inadequate policies and procedures related to controls necessary to minimize the risk of a material misstatement of financial statements prepared in accordance with generally accepted accounting principles contributed to these errors.

A significant potential exists for misstatements to occur in the financial statements without being detected by employees or management in a timely manner. Material audit adjustments were necessary to properly reflect the activity of Council. All adjustments have been recorded and reflected in the financial statements.

The Council should develop policies and procedures to ensure financial information is accurately reflected in the accounting system (including correcting misstatements as they are noted). All financial statements prepared by an outside firm should be thoroughly reviewed to ensure completeness, accuracy and consistency of information.

Management's Response: We did not receive a response to this finding.

FINDING NUMBER 2013-002

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, transfers between bank accounts and other reconciling items were included on the initial bank reconciliation of the Council and carried forward throughout the audit period. The lack of proper reconciliations among the bank statements and ledgers resulted in numerous errors which remained uncorrected until the audit. The Fiscal Officer tracked all differences and was able to provide support for all reconciling items.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total book balance. Transfers to the payroll clearing bank account should take place each pay period. Copies of bank reconciliations should be presented to the Governing Board for review, approval, and use in managing the Council. The Fiscal Officer should reconcile activity entered in the accounting system to the bank balance.

Management's Response: We did not receive a response to this finding.



Dave Yost • Auditor of State

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION REGIONAL COUNCIL OF GOVERNMENTS

PIKE 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
JUNE 2, 2015**