



Dave Yost • Auditor of State

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS
WARREN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southwestern Ohio Council of Governments
Warren County
107 Oregonia Road
Lebanon, Ohio 45036

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Southwestern Ohio Council of Governments, Warren County, (the Council) as of and for the years ended December 31, 2014 and 2013.

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 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Southwestern Ohio Council of Governments, Warren County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 23, 2015

**SOUTHWESTERN OHIO REGIONAL COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General
Cash Receipts:	
Member Contributions for Services	\$273,453
Member Contributions for Financial Services	1,310,000
Direct Support	73,782
Investment Income	25,216
<i>Total Cash Receipts</i>	<u>1,682,451</u>
 Cash Disbursements:	
General Government	394,163
Services to Families	1,106,725
<i>Total Cash Disbursements</i>	<u>1,500,888</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>181,563</u>
 Other Financing Receipts (Disbursements):	
Transfers-In	157,532
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>157,532</u>
<i>Net Change in Fund Cash Balances</i>	339,095
<i>Fund Cash Balances, January 1</i>	<u>257,860</u>
 Fund Cash Balances, December 31	
Unassigned	596,955
<i>Fund Cash Balances, December 31</i>	<u><u>596,955</u></u>

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

**SOUTHWESTERN OHIO REGIONAL COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Fiduciary Fund Type</u>
Operating Cash Receipts:	
Member Contributions For Waiver-TCM-MAC	<u>\$55,850,400</u>
<i>Total Operating Cash Receipts</i>	<u>55,850,400</u>
Operating Cash Disbursements:	
Contracts - ODDD	<u>53,623,299</u>
<i>Total Operating Cash Disbursements</i>	<u>53,623,299</u>
Total Receipts Over (Under) Disbursements	2,227,101
Non-Operating Receipts (Disbursements):	
Transfers-Out	<u>(157,532)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(157,532)</u>
<i>Net Change in Fund Cash Balances</i>	2,069,569
<i>Fund Cash Balances, January 1</i>	10,294,489
<i>Fund Cash Balances, December 31</i>	<u><u>\$12,364,058</u></u>

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

**SOUTHWESTERN OHIO REGIONAL COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General
Cash Receipts:	
Member Contributions for services	\$288,188
Member Contributions for Financial Services	1,335,000
Investment Income	13,374
<i>Total Cash Receipts</i>	1,636,563
Cash Disbursements:	
General Government	280,282
Services to Families	1,241,442
<i>Total Cash Disbursements</i>	1,521,724
<i>Excess Receipts Over/(Under) Disbursements</i>	114,839
Other Financing Receipts/(Disbursements):	
Transfers-In	110,000
Transfers-Out	(477,524)
<i>Total Other Financing Receipts/(Disbursements)</i>	(367,524)
<i>Net Change in Fund Cash Balances</i>	(252,685)
<i>Fund Cash Balances, January 1</i>	510,545
Fund Cash Balances, December 31	
Unassigned	257,860
<i>Fund Cash Balances, December 31</i>	\$257,860

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

**SOUTHWESTERN OHIO REGIONAL COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Fiduciary Fund Type</u>
Operating Cash Receipts:	
Member Contributions For Waiver-TCM-MAC	<u>\$53,564,080</u>
<i>Total Operating Cash Receipts</i>	<u>53,564,080</u>
Operating Cash Disbursements:	
Contracts - ODDD	<u>51,554,917</u>
<i>Total Operating Cash Disbursements</i>	<u>51,554,917</u>
Total Receipts Over/(Under) Disbursements	2,009,163
Non-Operating Receipts/(Disbursements):	
Transfers-In	477,524
Transfers-Out	<u>(110,000)</u>
<i>Total Non-Operating Receipts/(Disbursements)</i>	367,524
<i>Net Change in Fund Cash Balances</i>	2,376,687
<i>Fund Cash Balances, January 1</i>	\$7,917,802
<i>Fund Cash Balances, December 31</i>	<u><u>\$10,294,489</u></u>

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

**SOUTHWESTERN OHIO REGIONAL COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Southwestern Ohio Regional Council of Governments, Hamilton County, (the Council) as a body corporate and politic under Chapter 167 of the Ohio Revised Code. The Council commenced operations on July 1, 2009. The Council is governed by a 4 member board consisting of the Superintendents of the member County Boards of Developmental Disabilities. The participating subdivisions are: Butler, Clermont, Hamilton, and Warren counties.

The Council adopted a name change in July 2013. The previous name Southwest Ohio Regional Council of Governments was legally changed to the Southwestern Ohio Council of Governments.

The Council provides a financial function for its members to provide the best possible services to the persons with developmental disabilities. The Council receives obligated financial support from its members which funds are deposited and are eligible to accrue interest. The Council pays for member county obligations and other related services to and for persons with developmental disabilities enrolled in its member boards.

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

The Council deposits all funds in interest bearing checking accounts.

The Council itself has no investments, however, Butler County Board of Developmental Disabilities had three Certificates of Deposits with 5th 3rd Bank during 2014. Two were bought and matured during 2014 and one bought in 2014 matures in February 2015.

D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**SOUTHWESTERN OHIO REGIONAL COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds.

- i. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Council disburses these funds as directed by the individual, organization or other government. The Council's agency funds at the end of 2014 consisted of a percentage of county board of developmental disabilities 2013 and 2014 waiver match funds, state reconciliation funds, state subsidy payments paid to the Council of behalf of member county boards, and residual funds from the above mentioned types from previous years. The member contributions were used to make State Medicaid match payments and other state required payments on behalf of the county boards indicated by approved invoices forwarded to the Council by the member county boards.

E. 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:

1. Nonspendable

The Council classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Council has no nonspendable fund balances.

2. 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. The Council has no restricted fund balances.

3. Committed

Council can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Council 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. The Council has no committed fund balances.

4. 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 the Council or an official delegated that authority by resolution, or by State Statute. The Council has no assigned fund balances.

**SOUTHWESTERN OHIO REGIONAL COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. 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 assigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Budgetary Process

The Council is not subject to the budgetary requirements of Chapter 5705 of the Ohio Revised Code.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused all-purpose leave. Unpaid leave is not reflected as a liability under the Council's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The employees of the Council are covered by the Ohio Public Employees Retirement System (OPERS) which administers three separate pension plans. The Council recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for postretirement health care benefits.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% of qualifying gross wages for all employees year ending December 31, 2014. The 2014 contribution rate for local government employers was 14% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

The Council began participating in OPERS June 2014.

**SOUTHWESTERN OHIO REGIONAL COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. Equity in Pooled Deposits

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

Demand Deposits:	\$10,552,349	2013
	\$12,961,013	2014

3. Member Cash Balances

Fund integrity in the Council accounting records reflects an agency fund to each County member. The fund cash balances of the County members as reflected in agency funds were as follows:

Participating Members (Counties)	2013	2014
Butler	692,737	1,742,086
Clermont	157,535	-0-
Hamilton	885,989	1,105,194
Warren	8,581,279	9,536,864

4. Risk Management

The Council has obtained general liability insurance. The Council has no property or vehicles.

5. Policies and Procedures

Since the last issued financial statements at 12/31/12, the Council has adopted the following policies per State recommendations:

- A. Disaster Recovery Policy
- B. Records Retention Policy
- C. Public Records-Confidentiality Policy
- D. Whistleblower Policy



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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*

Southwestern Ohio Council of Governments
Warren County
107 Oregonia Road
Lebanon, Ohio 45036

To the 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 Southwestern Ohio Council of Governments, Warren County, (the Council) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2015 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.

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 findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 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. We consider finding 2014-001 described in the accompanying schedule of findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Council's Response to Findings

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 23, 2015

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

Monitoring controls are regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. The Council lacked management oversight over the accounting and financial statement preparation processes, and the related financial reporting. We identified the following fund balance variances between the financial statements, accounting records, and bank reconciliations of the Council:

Fund Balance	Council Prepared Financial Statements - Total Balance All Funds	Council Accounting Records - Total Balance All Funds	Council Reconciled Bank Balances - Total Balance All Funds
2013	\$ 10,552,349	\$ 10,573,603	\$ 10,573,603
2014	\$ 12,887,317	\$ 12,982,251	\$ 12,981,492

Also, the Council did not accurately record and report the movement of money between bank accounts, funds, and sub-funds in 2014 and 2013:

- A transfer for \$27,524, in 2013, from the General Fund to the Agency Fund was not recorded on the 2013 financial statements.
- The Council moved \$957,000 between bank accounts in 2014, and erroneously recorded this transaction as a transfer from the General Fund to the Agency Fund.
- A new revenue source, Direct Public Support, totaling \$73,782 in 2014 in the General Fund was omitted from the financial statements.

The Council adjusted the financial statements and accounting records, where appropriate, to correct these errors.

The Council should accurately and timely post all accounting information to the accounting records. Receipts, disbursements and fund balances reported in the account records should match the reconciled bank statements and financial statements. Completing a monthly reconciliation of Council activity will aid in detecting posting errors.

Officials' Response:

The Council Board of Directors hired an Executive Director in 2014 who has oversight over all financial matters. Monthly financial reports are prepared, including monthly bank reconciliations of each County Board and SWOCOG bank accounts, and are presented to the Board of Directors at scheduled Council Board Meetings. In 2015, the Council also added a Director of Financial Services to the administrative team.

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**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Council did not maintain accurate accounting records.	No	Repeated as Finding 2014-001

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SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS

WARREN 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 13, 2015**