



OHIO AUDITOR OF STATE
KEITH FABER



**VALLEY ENFORCEMENT REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Valley Enforcement Regional Council of Governments
Cuyahoga County
28000 Shaker Boulevard
Pepper Pike, Ohio 44124

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of the Valley Enforcement Regional Council of Governments, Cuyahoga County, Ohio (the Council) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements and related notes of the Valley Enforcement Regional Council of Governments, Cuyahoga County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 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.

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Keith Faber
Auditor of State
Columbus, Ohio

September 9, 2019

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Valley Enforcement Regional Council of Governments

Cuyahoga County

Statement of Cash Receipts, Cash Disbursements

and Changes in Fund Cash Balance (Regulatory Cash Basis)

The General Fund

For the Year Ended December 31, 2018

Cash Receipts		
Membership Fees	\$	128,000
Contributions and Donations		36,070
Reimbursements		673
Sales of Assets		4,510
Earnings on Investments		2
		<hr/>
<i>Total Cash Receipts</i>		169,255
		<hr/>
Cash Disbursements		
Miscellaneous		8,308
SWAT		107,340
Insurance		23,649
Hostage Negotiations		88
Investigators		165
Accident Investigation Unit		13,920
Firearms/Training		1,800
CART		275
UAS		2,934
		<hr/>
<i>Total Cash Disbursements</i>		158,479
		<hr/>
<i>Excess of Receipts Over (Under) Disbursements</i>		10,776
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<i>Fund Cash Balance, January 1</i>		73,457
		<hr/>
Fund Cash Balance, December 31		
Unassigned (Deficit)	\$	84,233
		<hr/> <hr/>

See accompanying notes to the basic financial statements

Valley Enforcement Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Valley Enforcement Regional Council of Governments, Cuyahoga County, Ohio, (the Council) is a regional council of government formed under Chapter 167 of the Ohio Revised Code and Article XVIII, Section 3 of the Ohio Constitution. The Council is composed of 16 communities and was formed to foster cooperation among political subdivisions through the sharing of facilities for their common benefit. This includes the formal supervision and control of the “Valley Enforcement Group” (“VEG”). The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and Secretary and other officers elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. The Council also acquires and owns police equipment and other property, to be utilized by all participating members. The Council sets the budget for VEG upon the recommendation of the VEG Board of Trustees.

The VEG, a 501c(6) organization, is administered by a Board of Trustees composed of the Chief of Police, or acting Chief of Police, of the political subdivision that formed the Council. The VEG has been designated as an agency of the Council, providing the mutual interchange and sharing of police personnel and police equipment.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Council's financial statements consist of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the General Fund.

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and an accounting entity with a self-balancing set of accounts. The funds of the Council are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

Valley Enforcement Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits and Investments

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

Capital Assets

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

Fund Balance

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

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

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

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

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

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

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

Valley Enforcement Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Deposits and Investments

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

	2018
Demand deposits	<u>\$ 84,233</u>

Deposits: Deposits are insured by the Federal Depository Insurance Company.

Note 4 – Risk Management

The Council has obtained comprehensive general liability insurance, public official's liability insurance and law enforcement liability insurance in its own name and on behalf of the VEG.

Valley Enforcement Regional Council of Governments

Cuyahoga County

Statement of Receipts, Disbursements

and Changes in Fund Balance (Regulatory Cash Basis)

The General Fund

For the Year Ended December 31, 2017

Cash Receipts	
Membership Dues	\$ 112,000
Earnings on Investments	<u>2</u>
<i>Total Cash Receipts</i>	<u>112,002</u>
Cash Disbursements	
Miscellaneous	6,234
SWAT	56,974
Insurance	24,434
Hostage Negotiations	80
Investigators	11,870
Accident Investigation Unit	7,900
Firearms	408
In Service Training	2,831
CART	1,913
UAS	<u>19,525</u>
<i>Total Cash Disbursements</i>	<u>132,169</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(20,167)
<i>Fund Cash Balance, January 1</i>	<u>93,624</u>
Fund Cash Balance, December 31	
Unassigned (Deficit)	<u>\$ 73,457</u>

See accompanying notes to the basic financial statements

Valley Enforcement Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Valley Enforcement Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

Valley Enforcement Regional Council of Governments
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Deposits and Investments

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	2017
Demand deposits	<u>\$ 73,457</u>

Deposits: Deposits are insured by the Federal Depository Insurance Company.

Note 4 – Risk Management

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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

Valley Enforcement Regional Council of Governments
Cuyahoga County
28000 Shaker Boulevard
Cleveland, Ohio 44124

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Valley Enforcement Regional Council of Governments, Cuyahoga County, (the Council) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 9, 2019, wherein we noted that the Council followed financial reporting provisions that 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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

September 9, 2019

OHIO AUDITOR OF STATE KEITH FABER



VALLEY ENFORCEMENT REGIONAL COUNCIL OF GOVERNMENTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 24, 2019**