



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE
KEITH FABER



February 7, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

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**SOUTHWEST REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Regulatory Cash Basis Financial Statements:	
Statement of Receipts, Disbursements and Changes in Fund Balance Regulatory Cash Basis – General Fund - For the Year Ended December 31, 2017	5
Statement of Receipts, Disbursements and Changes in Fund Balance Regulatory Cash Basis – General Fund - For the Year Ended December 31, 2016	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southwest Regional Council of Governments
Cuyahoga County
433 Cranston Drive
Berea, Ohio 44017

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Southwest Regional Council of Governments, Cuyahoga County, Ohio (the Council) as of and for the years ended December 31, 2017 and 2016.

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 2C 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, 2017 and 2016, 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 by fund type, and related notes of the Southwest Regional Council of Governments, Cuyahoga County as of December 31, 2017 and 2016, 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 2C.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 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.

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

January 11, 2019

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**Southwest Council of Governments
Cuyahoga County
Statement of Receipts, Disbursements and Changes in Fund Balance – Regulatory Cash Basis
General Fund
For the Year Ended December 31, 2017**

	<u>General Fund</u>
Cash Receipts:	
Membership	\$ 348,000
Interest	61
Intergovernmental -Grant Reimbursements	7,457
Reimbursements	<u>10,866</u>
<i>Total Cash Receipts</i>	\$ 366,384
 Cash Disbursements:	
Ammunition	\$ 21,941
Equipment and Supplies	24,263
Maintenance	13,002
Professional Services	26,051
Training	19,741
Uniforms and Clothing	28,832
Administrative	16,357
Fire Investigative Unit	7,926
HazMat Team	12,555
Technical Rescue	26,041
Capital Expenditures-Loan payments	41,370
Capital Expenditures-Equipment	<u>92,198</u>
<i>Total Cash Disbursements</i>	\$ 330,277
 <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	 \$ 36,107
 <i>Fund Cash Balances, January 1</i>	 <u>\$ 442,652</u>
 Fund Cash Balances, December 31	
Unassigned	<u>\$ 478,759</u>
 <i>Fund Cash Balances, December 31</i>	 <u>\$ 478,759</u>

See accompanying notes to the financial statements.

**Southwest Council of Governments
Cuyahoga County
Statement of Receipts, Disbursements and Changes in Fund Balance – Regulatory Cash Basis
General Fund
For the Year Ended December 31, 2016**

	<u>General Fund</u>
Cash Receipts:	
Membership	\$ 306,000
Interest	52
Grant Reimbursements	11,000
Reimbursements	<u>10,186</u>
<i>Total Cash Receipts</i>	\$ 327,238
 Cash Disbursements:	
Ammunition	\$ 30,284
Equipment and Supplies	21,606
Maintenance	18,400
Professional Services	26,164
Training	29,037
Uniforms and Clothing	20,511
Capital Expenditure	35,599
Administrative	17,109
Administrative-Lease	33,939
Fire Investigative Unit	7,574
HazMat Team	28,929
Technical Rescue	<u>19,217</u>
<i>Total Cash Disbursements</i>	\$ 288,369
 <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	 \$ 38,869
 <i>Fund Cash Balances, January 1</i>	 <u>403,783</u>
 Fund Cash Balances, December 31	
Unassigned	<u>442,652</u>
 <i>Fund Cash Balances, December 31</i>	 <u>\$ 442,652</u>

See accompanying notes to the financial statements.

**Southwest Council of Governments
Cuyahoga County
Notes to the Financial Statements
December 31, 2017 and 2016**

Note 1 – Reporting Entity

The Southwest Council of Governments (the Council), Cuyahoga County, is a body politic and corporate established for the purposes of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council was established in 1972 and incorporated under the statutory guidelines of Ohio Revised Code Chapter 167. The Council currently consists of: City of Berea, City of Brecksville, City of Broadview Heights, City of Brooklyn, Village of Brooklyn Heights, City of Brook Park, City of Brunswick, Village of Cuyahoga Heights, City of Independence, City of Middleburg Heights, Village of Newburgh Heights, City of North Royalton, City of Olmsted Falls, Olmsted Township, City of Parma, City of Parma Heights, City of Seven Hills, City of Strongsville, Village of Valley View, Cleveland Metroparks, and Northeast Ohio Regional Sewer District.

The Council has two purposes. The Southwest Enforcement Bureau's (SEB) purpose is to provide cooperative efforts between the law enforcement agencies of the members; serve as a forum for discussion of area-wide law enforcement problems; collect and exchange information relating to law enforcement activities; and to provide for the exchange of services, physical assistance, and mutual aid among members in such a manner as deemed necessary and appropriate by the Council for effective law enforcement. The Southwest Emergency Response Team's (SERT) purpose is to provide cooperation efforts between the fire departments of the members; serve as a forum for discussion of area-wide hazardous materials problems; collect and exchange information relating to fire protection activities; and to provide for the exchange of services, physical assistance, and mutual aid among members in such a manner as deemed necessary and appropriate by the Council for effective fire protection and hazardous materials response. 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

A. Basis of Presentation

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

B. Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council classified its only fund as a General Fund:

General Fund: The General Fund is the general operating fund. It is used to account for all of the Council's financial activity.

**Southwest Council of Governments
Cuyahoga County
Notes to the Financial Statements
December 31, 2017 and 2016**

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and cash 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 1147.38 and Ohio Administrative Code Section 117-2-03(D) permit.

D. Deposits or Investments

The Council had no investments at December 31, 2016 or 2017.

E. 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.

F. 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.

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.

**Southwest Council of Governments
Cuyahoga County
Notes to the Financial Statements
December 31, 2017 and 2016**

Note 2 – Summary of Significant Accounting Policies (continued)

3. Committed

The Council can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Council amended 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.

4. Assigned

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

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications.

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

Note 3 – Deposits

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 for demand deposits were \$442,652 and total deposits were \$442,652. The carrying amount of deposits at December 31, 2017 for demand deposits were \$478,759 and total deposits were \$478,759.

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

**Southwest Council of Governments
Cuyahoga County
Notes to the Financial Statements
December 31, 2017 and 2016**

Note 4 – Risk Management

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Inland Marine
- Terrorism
- Vehicles
- Errors and omissions

Note 5 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Council's Executive Director belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including post-retirement healthcare and survivor and disability benefits.

Contribution rates are prescribed by the Ohio Revised Code. The Council's OPERS member contributed 10% of the gross salary. The Council also contributed an amount equal to 14% of the participant's gross salary. The Council has paid all contributions required through December 31, 2016 and 2017.

Note 6 – Postemployment Benefits

OPERS offers cost-sharing, multiple employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar 2016 and 1.0 percent during calendar year 2017.

Note 7 – Leases and Amortization

During 2013, the Council entered into a lease-purchase with Huntington Bank in the amount of \$260,000 for the purchase of a Technical Rescue Response Vehicle for the Southwest Enforcement Response Team and will make annual lease payments in the amount of \$33,939 in the years 2014 - 2023.

During 2016, the Council entered into a lease-purchase with US Bank Equipment Finance in the amount of \$34,142 for the purchase of a vehicle for the Southwest Enforcement Bureau and will make annual lease payments in the amount of \$7,431 in the years 2017 - 2021.

**Southwest Council of Governments
Cuyahoga County
Notes to the Financial Statements
December 31, 2017 and 2016**

Note 7 – Leases and Amortization (continued)

The future minimum lease payments required under capital leases are as follows:

Year	SERT Vehicle	SEB Vehicles	Total Leases
2018	\$ 33,939	\$ 7,431	\$ 41,370
2019	\$ 33,939	\$ 7,431	\$ 41,370
2020	\$ 33,939	\$ 7,431	\$ 41,370
2021	\$ 33,939	\$ 7,431	\$ 41,370
2022	\$ 33,939	\$ -	\$ 33,939
2023	<u>\$ 33,939</u>	<u>\$ -</u>	<u>\$ 33,939</u>
Minimum Lease Payment	\$203,634	\$29,724	\$233,358
Less Amount Representing Interest	<u>\$ 35,039</u>	<u>\$ 2,028</u>	<u>\$ 37,067</u>
Present Value of Net Lease Payments	<u>\$168,595</u>	<u>\$27,696</u>	<u>\$196,291</u>

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based upon prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

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

Southwest Council of Governments
Cuyahoga County
433 Cranston Drive
Berea, Ohio 44017

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Southwest Council of Governments, Cuyahoga County, (the Council) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated January 11, 2019 wherein we noted the Government followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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Dave Yost
Auditor of State
Columbus, Ohio

January 11, 2019

OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST 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
FEBRUARY 7, 2019**