



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Fiscal Year Ended 12/31/2017	3
Notes to the Financial Statements Fiscal Year Ended 12/31/2017	5
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Fiscal Year Ended 12/31/2016	9
Notes to the Financial Statements Fiscal Year Ended 12/31/2016	11
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 Ohio Computer Association Council of Governments
Butler County
3611 Hamilton Middletown Road
Hamilton, Ohio 45011

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances and related notes of the Southwest Ohio Computer Association Council of Governments, Butler County, Ohio (the Council) as of and for the years ended June 30, 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 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 June 30, 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, and related notes of the Southwest Ohio Computer Association Council of Governments, Butler County as of June 30, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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

October 31, 2017

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	2017
Operating Cash Receipts:	
Charges for Services	\$5,894,010
Miscellaneous	82,125
<i>Total Operating Cash Receipts</i>	5,976,135
Operating Cash Disbursements:	
Salaries	1,520,194
Employee Fringe Benefits	552,036
Purchased Services	1,540,323
Supplies and Materials	1,524,146
Debt Service	
Redemption of Principal	135,000
Interest Charges	79,888
Other	13,862
<i>Total Operating Cash Disbursements</i>	5,365,449
<i>Operating Income (Loss)</i>	610,686
Non-Operating Receipts (Disbursements):	
Intergovernmental	491,430
Earnings on Investments	28,805
Debt Proceeds	0
Capital Outlay	(450,179)
<i>Total Non-Operating Receipts (Disbursements)</i>	70,056
Net Change in Fund Cash Balances	680,742
Fund Cash Balances, July 1	5,045,718
Fund Cash Balances, June 30	\$5,726,460
Reserve for Encumbrances	1,099,115
Unencumbered Cash Balance, June 30	\$4,627,345

The Notes to the Financial Statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Southwest Ohio Computer Association Council of Governments, Butler County, Ohio (the Council), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Southwest Ohio Computer Association transitioned to a Council of Governments effective July 1, 2009, being organized under Chapter 167 of the Ohio Revised Code. The Council operates under a Board of Directors consisting of one member, either the superintendent or treasurer, from each of the member school districts for a perpetual term.

The Council provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Council serves forty-two public and community schools located in Butler, Hamilton, Montgomery, Preble, Clinton, and Warren counties. The Butler Technology and Career Development School (Butler Tech), one of the member educational providers, is the fiscal agent for the Council.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

Cash received by the Council is deposited to the operating account of their fiscal agent; Butler Tech who distributes funds upon authorization of the Council. The Chief Financial Officer for the Council is the Chief Financial Officer of Butler Tech.

D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its fund as an Enterprise Fund. This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

E. Property, Plant, and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

2. Cash with Fiscal Agent

In accordance with the Ohio Revised Code, the Council's cash is held and invested by the Chief Financial Officer of Butler Tech, who acts as custodian for Council monies. The Council's assets are held in the school district's cash and investment pool, and are valued at the district's reported carrying amount. The Council's carrying amounts of cash on deposit with Butler Tech at June 30, 2017 was \$5,726,460.

3. Retirement Systems

The Council contributes to the School Employees Retirement System of Ohio (SERS). SERS is a cost-sharing multiple-employer defined benefit pension plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2017, members of SERS contributed 10% of their gross salaries. The Council contributed an amount equal to 14% of participants' gross salaries. The Council paid all contributions required through June 30, 2017.

4. Risk Management

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

Comprehensive property and general liability;
Vehicles; and
Errors and omissions

5. Long-Term Debt

On March 10, 2015 the Council took out a loan in the amount of \$2,500,000 with a net interest cost of 3.5% for the construction of a new building. The loan was issued for a period of 15 years with a final maturity of December 1, 2029. Per the terms of the loan agreement, the Council has the ability to pay the loan in full before the original maturity date without penalty. As of June 30, 2017 the Council has not made any additional principal payments. Annual principal payments are due December 1 of each year and interest payments are due June 1 and December 1 of each year. The annual loan payments are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$140,000	\$ 75,075	\$ 215,075
2019	\$140,000	\$ 70,175	\$ 210,175
2020	\$145,000	\$ 65,187	\$ 210,187
2021	\$150,000	\$ 60,025	\$ 210,025
2022	\$160,000	\$ 54,600	\$ 214,600
2023-2027	\$875,000	\$184,187	\$1,059,187
2028-2030	<u>\$605,000</u>	<u>\$ 32,287</u>	<u>\$ 637,287</u>
	\$2,215,000	\$541,536	\$2,756,536

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

6. SUBSEQUENT EVENT

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

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	2016
Operating Cash Receipts:	
Charges for Services	\$5,895,830
Miscellaneous	49,987
<i>Total Operating Cash Receipts</i>	5,945,817
Operating Cash Disbursements:	
Salaries	1,497,195
Employee Fringe Benefits	543,392
Purchased Services	1,538,718
Supplies and Materials	1,306,125
Debt Service	
Redemption of Principal	150,000
Interest Charges	105,535
Other	61,277
<i>Total Operating Cash Disbursements</i>	5,202,242
<i>Operating Income (Loss)</i>	743,575
Non-Operating Receipts (Disbursements):	
Intergovernmental	426,069
Earnings on Investments	22,609
Debt Proceeds	0
Capital Outlay	(3,064,611)
<i>Total Non-Operating Receipts (Disbursements)</i>	(2,615,933)
Net Change in Fund Cash Balances	(1,872,358)
Fund Cash Balances, July 1	6,918,076
Fund Cash Balances, June 30	\$5,045,718
Reserve for Encumbrances	373,247
Unencumbered Cash Balance, June 30	\$4,672,471

The Notes to the Financial Statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Southwest Ohio Computer Association Council of Governments, Butler County, Ohio (the Council), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Southwest Ohio Computer Association transitioned to a Council of Governments effective July 1, 2009, being organized under Chapter 167 of the Ohio Revised Code. The Council operates under a Board of Directors consisting of one member, either the superintendent or treasurer, from each of the member school districts for a perpetual term.

The Council provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Council serves thirty-four schools in Butler, Hamilton, Preble, Clinton, and Warren counties. The Butler Technology and Career Development School (Butler Tech), one of the member educational providers, is the fiscal agent for the Council.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

Cash received by the Council is deposited to the operating account of their fiscal agent; Butler Tech who distributes funds upon authorization of the Council. The Chief Financial Officer for the Council is the Chief Financial Officer of Butler Tech.

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

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In accordance with the Ohio Revised Code, the Council's cash is held and invested by the Chief Financial Officer of Butler Tech, who acts as custodian for Council monies. The Council's assets are held in the school district's cash and investment pool, and are valued at the district's reported carrying amount. The Council's carrying amounts of cash on deposit with Butler Tech at June 30, 2016 was \$5,045,718.

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4. Risk Management

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

Comprehensive property and general liability;
Vehicles; and
Errors and omissions

5. Long-Term Debt

On March 10, 2015 the Council took out a loan in the amount of \$2,500,000 with a net interest cost of 3.5% for the construction of a new building. The loan was issued for a period of 15 years with a final maturity of December 1, 2029. Per the terms of the loan agreement, the Council has the ability to pay the loan in full before the original maturity date without penalty. Annual principal payments are due December 1 of each year and interest payments are due June 1 and December 1 of each year. The annual loan payments are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$135,000	\$ 79,887	\$ 214,887
2018	\$140,000	\$ 75,075	\$ 215,075
2019	\$140,000	\$ 70,175	\$ 210,175
2020	\$145,000	\$ 65,187	\$ 210,187
2021	\$150,000	\$ 60,025	\$ 210,025
2022-2026	\$850,000	\$214,375	\$1,064,375
2027-2030	<u>\$790,000</u>	<u>\$ 56,700</u>	<u>\$ 846,700</u>
	\$2,350,000	\$621,424	\$2,971,424



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 Ohio Computer Association Council of Governments
Butler County
3607 Hamilton Middletown Road
Hamilton, Ohio 45011

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Southwest Ohio Computer Associate Council of Governments, Butler County, (the Council) as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 31, 2017, wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

October 31, 2017



Dave Yost • Auditor of State

SOUTHWEST OHIO COMPUTER ASSOCIATION COUNCIL OF GOVERNMENT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 28, 2017**