



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Southwestern Ohio Council of Governments  
Warren County  
412 S. East Street  
Lebanon, Ohio 45036

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Southwestern Ohio Council of Governments, Warren County, Ohio (the Council).

### ***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 December 31, 2020 and 2019, 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 for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Council, 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.

***Emphasis of Matter***

As discussed in Note 6 to the financial statements for the year ended December 31, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio  
December 6, 2021

**Southwestern Ohio Council of Governments**  
*Warren County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*General Fund*  
*For the Year Ended December 31, 2020*

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<b>Cash Receipts</b>	
Member Contributions	\$162,000
Member Contributions for Financial Services	841,237
Non-Agency Programs	208,200
Earnings on Investments	4,492
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<i>Total Cash Receipts</i>	<i>1,215,929</i>
	<hr/>
<b>Cash Disbursements</b>	
General Government	1,207,111
Contracts DODD	5,636
	<hr/>
<i>Total Cash Disbursements</i>	<i>1,212,747</i>
	<hr/>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>3,182</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>548,764</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>\$551,946</i>
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*See accompanying notes to the basic financial statements*

**Southwestern Ohio Council of Governments**

*Warren County*

*Statement of Additions, Deductions*

*and Changes in Fund Balances (Regulatory Cash Basis)*

*Custodial Fund*

*For the Year Ended December 31, 2020*

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<b>Additions</b>	
Member Contributions for Waiver TCM-MAC	\$52,304,500
Program Receipts	5,641,286
Earnings on Investments	192,354
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<i>Total Additions</i>	<i>58,138,140</i>
	<hr/>
<b>Deductions</b>	
Contracts-DODD	45,657,071
Services to Families	4,695,915
Other Distributions	415,674
	<hr/>
<i>Total Deductions</i>	<i>50,768,660</i>
	<hr/>
<i>Net Change in Fund Balances</i>	<i>7,369,480</i>
<i>Fund Cash Balances, January 1</i>	<i>18,686,115</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>\$26,055,595</i>
	<hr/> <hr/>

*See accompanying notes to the basic financial statements*



**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Southwestern Ohio Regional Council of Governments, Warren 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 6 member board consisting of the Superintendents of the member County Boards of Developmental Disabilities. The participating subdivisions are: Butler, Clermont, Greene, Hamilton, Montgomery and Warren counties.

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**

The Council uses the cash basis method of accounting. 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 funds in interest bearing checking accounts.

The Council began investing with Star Ohio and has an approved investment policy from the Ohio Treasurer of State. Counties participating in Star Ohio include: Butler, Greene, Hamilton, Montgomery, Clermont, and Warren. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**D. Fund Accounting**

The Council uses fund accounting to segregate cash and investments that are restricted as to the 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.

**2. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and custodial funds.

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

- i. Custodial 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 custodial funds at the end of 2020 consisted of a percentage of county board of developmental disabilities waiver match funds, state reconciliation funds, state subsidy payments paid to the Council on behalf of member county boards and program funds used for services to families and residual funds from the above mentioned types from previous years. The member contributions were used to make State Medicaid match payments, other state required payments and services to families on behalf of the county boards indicated by approved invoices forwarded to the Council by the member county boards and families enrolled on member county programs.

**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 COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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 any other classification.

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 unassigned, and then unassigned 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, Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employments 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-share 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, 2020. The 2020 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.

**2. Deposits and Investments**

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 31st was as follows:

Demand Deposits	\$4,278,077
STAR Ohio	<u>\$22,343,711</u>
Total carrying amount of deposits and investments	\$26,621,788

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Continued)**

**2. Deposits and Investments (Continued)**

The Council does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Council is holding \$13,697 in unremitted employee payroll withholdings.

The carrying amount listed in Note 2 of \$26,608,091 (\$26,621,788 less \$13,697) does not agree to the Council's financial statements of \$26,607,541 because the Council has not properly reconciled their cash to their fund statements at December 31, 2020.

**3. Council and County Member Cash Balances**

The Council Fund Cash Balance as of December 31 is \$563,843. The Council does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Council is holding \$13,697 in unremitted employee payroll withholdings. The carrying amount of \$550,146 (\$563,843 less \$13,697) does not agree to the General fund's financial statements of \$551,946 because the Council has not properly reconciled their cash to their fund statements at December 31, 2020.

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

Participating Members (Counties)

Butler	\$1,706,140
Clermont	\$392,962
Greene	\$504,069
Hamilton	\$10,508,937
Montgomery	\$496,510
Warren	<u>\$12,449,327</u>
	\$26,057,945

The carrying amount of \$26,057,945 does not agree to the Custodial fund's financial statements of \$26,055,595 because the Council has not properly reconciled their cash to their fund statements at December 31, 2020.

**4. Risk Management**

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

**5. Change in Accounting Principle**

For 2020, the Council has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate combined statement of additions, deductions, and changes in fund balances (regulatory cash basis) - all fiduciary fund types, and removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) - all governmental fund types.

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Continued)**

**6. COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Council. The Council's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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**Southwestern Ohio Council of Governments**  
*Warren County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*General Fund*  
*For the Year Ended December 31, 2019*

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<b>Cash Receipts</b>	
Member Contributions	\$168,000
Member Contributions for Financial Services	843,427
Non-Agency Programs	136,372
Earnings on Investments	14,812
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<i>Total Cash Receipts</i>	<i>1,162,611</i>
	<hr/>
<b>Cash Disbursements</b>	
General Government	1,213,763
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<i>Total Cash Disbursements</i>	<i>1,213,763</i>
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>(51,152)</i>
<i>Fund Cash Balances, January 1</i>	<i>599,916</i>
	<hr/>
<b>Fund Cash Balances, December 31</b>	
Unassigned (Deficit)	548,764
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>\$548,764</i>
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*See accompanying notes to the basic financial statements*

**Southwestern Ohio Council of Governments**

*Warren County*

*Statement of Receipts, Disbursements*

*and Changes in Fund Balances (Regulatory Cash Basis)*

*Agency Fund*

*For the Year Ended December 31, 2019*

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**Operating Cash Receipts**

Member Contributions for Waiver TCM-MAC	\$55,356,507
Program Receipts	5,405,402
Earnings on Investments	654,668

*Total Operating Cash Receipts* 61,416,577

**Operating Cash Disbursements**

Contracts-DODD	54,240,713
Services to Families	3,684,173
Other Distributions	261,798

*Total Operating Cash Disbursements* 58,186,684

*Net Change in Fund Cash Balances* 3,229,893

*Fund Cash Balances, January 1* 15,456,222

*Fund Cash Balances, December 31* \$18,686,115

*See accompanying notes to the basic financial statements*



**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Southwestern Ohio Regional Council of Governments, Warren 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 6 member board consisting of the Superintendents of the member County Boards of Developmental Disabilities. The participating subdivisions are: Butler, Clermont, Greene, Hamilton, Montgomery and Warren counties.

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 funds in interest bearing checking accounts.

The Council began investing with Star Ohio and has an approved investment policy from the Ohio Treasurer of State. Counties participating in Star Ohio in 2019: Butler, Greene, Hamilton, Montgomery, Clermont, and Warren. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**D. Fund Accounting**

The Council uses fund accounting to segregate cash and investments that are restricted as to the 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.

**2. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds.

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

- 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 2019 consisted of a percentage of county board of developmental disabilities waiver match funds, state reconciliation funds, state subsidy payments paid to the Council on behalf of member county boards and program funds used for services to families and residual funds from the above mentioned types from previous years. The member contributions were used to make State Medicaid match payments, other state required payments and services to families on behalf of the county boards indicated by approved invoices forwarded to the Council by the member county boards and families enrolled on member county programs.

**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 COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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 any other classification.

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 unassigned, and then unassigned 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, Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employments 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-share 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, 2019. The 2019 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.

**2. Deposits and Investments**

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	\$757,605
STAR Ohio	<u>\$18,492,966</u>
Total carrying amount of deposits and investments	\$19,250,571

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**2. Deposits and Investments (Continued)**

The Council does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2019, the Council is holding \$15,141 in unremitted employee payroll withholdings.

The carrying amount listed in Note 2 of \$19,235,430 (\$19,250,571 less \$15,141) does not agree to the Council's financial statements of \$19,234,879 because the Council has not properly reconciled their cash to their fund statements at December 31, 2019.

**3. Council and County Member Cash Balances**

The Council Fund Cash Balance as of December 31 is \$564,730. The Council does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2019, the Council is holding \$15,141 in unremitted employee payroll withholdings. The carrying amount of \$549,589 (\$564,730 less \$15,141) does not agree to the General fund's financial statements of \$548,764 because the Council has not properly reconciled their cash to their fund statements at December 31, 2019.

Fund integrity of 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)

Butler	\$830,427
Clermont	\$374,404
Greene	\$843,102
Hamilton	\$3,208,806
Montgomery	\$328,402
Warren	<u>\$13,100,700</u>
	\$18,685,841

The carrying amount of \$18,685,841 does not agree to the Agency fund's financial statements of \$18,686,115 because the Council has not properly reconciled their cash to their fund statements at December 31, 2019.

**4. Risk Management**

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

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## 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  
412 S. East Street  
Lebanon, Ohio 45036

To the Board of Directors:

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 for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Southwestern Ohio Council of Governments, Warren County, (the Council) and have issued our report thereon dated December 6, 2021, wherein we noted the Council followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Council.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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. We consider finding 2020-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2020-002 described in the accompanying schedule of findings to be a significant deficiency.

***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 financial statements. 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*.

***Council's Responses to Findings***

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Council's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***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.



Keith Faber  
Auditor of State  
Columbus, Ohio  
December 6, 2021

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The trial balances did not agree to the Council's financial statements at December 31, 2020. This resulted in the following conditions:

- Beginning fund balance in the General fund and Custodial fund were overstated by \$95,839 and understated by \$374, respectively.
- Member Contributions for Financial Services in the General fund was understated by \$3,000.
- General Government disbursements in the General fund was understated by \$20,253.
- Contracts DODD disbursements in the General fund was understated by \$5,636.
- Services for Families disbursements in the Custodial fund was overstated by \$800.
- The above errors resulted in the following: Ending fund balance in the General and Custodial fund were overstated by \$118,728 and understated by \$1,174, respectively.

The trial balances did not agree to the Council's financial statements at December 31, 2019. This resulted in the following conditions:

- Beginning fund balance in the General fund was understated by \$263,656.
- Member Contributions for Financial Services in the General fund was overstated by \$31,058.
- Non-Agency Programs in the General fund was overstated by \$45,855.
- General Government disbursements in the General fund were understated by \$2,565.
- Program Receipts in the Agency fund were overstated by \$450,000.
- Services to Families disbursements in the Agency fund were overstated by \$291.
- Other disbursements in the Agency fund were overstated by \$339.
- The above errors resulted in the following: Ending fund balance in the General and Agency fund were understated by \$184,178 and overstated by \$449,370, respectively.

The financial statements have been adjusted for these errors.

**FINDING NUMBER 2020-001  
(Continued)**

The Council did not have procedures in place for effective monitoring of financial activity and the accuracy of accounting and financial reporting. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records and preparation of the financial statements to prevent errors and to assist in properly reflecting the Council's financial activity. In addition, the Board should adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

**Officials' Response:**

The Southwestern Ohio Council of Governments (SWOCOG) is in agreement with the finding. SWOCOG staff and management are currently reviewing and updating internal procedures and processes to monitor the accuracy of financial reporting.

**FINDING NUMBER 2020-002**

**Significant Deficiency**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Director of Financial Operations is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were prepared each month of 2020 and 2019. However, auditors identified errors in the trial balances as of December 31, 2020 and 2019. When the Director of Financial Services made the corrections to the December 31, 2020 and 2019 trial balances, the Council's reconciled bank balance was \$550 more and \$551 more, respectively, than the Council's cash balance recorded in the accounting system and on the financial statements. The financial statements and accounting records have not been adjusted for these errors.

Failure to reconcile monthly increases the possibility that the Council will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Director of Financial Operations should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.



**FINDING NUMBER 2020-002  
(Continued)**

**Officials' Response:**

The Southwestern Ohio Council of Governments (SWOCOG) is in agreement with the finding and will correct the errors. SWOCOG will also review internal procedures to ensure the accuracy of the financial statements.



# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS**

**WARREN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/23/2021**

88 East Broad Street, Columbus, Ohio 43215  
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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)