



Dave Yost • Auditor of State



**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Southwestern Ohio Council of Governments  
Hamilton County  
1520 Madison Road  
Cincinnati, Ohio 45206

To the Members of Council:

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

We have audited the accompanying financial statements and related notes of the Southwestern Ohio Council of Governments, Hamilton County, Ohio (the Council), as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Southwestern Ohio Council of Governments, Hamilton County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Southwestern Ohio Council of Governments adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013, 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 22, 2013

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>
<b>Cash Receipts</b>	
Member Contributions for Services	\$127,139
Member Contributions for Financial Services	1,548,323
Earnings on Investments	<u>16,089</u>
<i>Total Cash Receipts</i>	<u>1,691,551</u>
<b>Cash Disbursements</b>	
Current:	
Purchased Services	169,067
Services to Families	<u>1,371,771</u>
<i>Total Cash Disbursements</i>	<u>1,540,838</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>150,713</u>
<b>Other Financing Receipts (Disbursements)</b>	
Other Financing Sources	<u>16,275</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>16,275</u>
<i>Net Change in Fund Cash Balances</i>	166,988
<i>Fund Cash Balances, January 1</i>	<u>343,558</u>
<b>Fund Cash Balances, December 31</b>	
Unassigned (Deficit)	<u>510,546</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$510,546</u></u>

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

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Member Contributions	<u>\$46,272,463</u>
<i>Total Operating Cash Receipts</i>	<u>46,272,463</u>
<b>Operating Cash Disbursements</b>	
On-behalf Waiver Match Payments	<u>46,794,537</u>
<i>Total Operating Cash Disbursements</i>	<u>46,794,537</u>
<i>Operating (Loss)</i>	<u>(522,074)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Financing Uses	<u>(16,275)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(16,275)</u>
<i>Net Change in Fund Cash Balances</i>	(538,349)
<i>Fund Cash Balances, January 1</i>	<u>8,456,151</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$7,917,802</u></u>

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



**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General
<b>Cash Receipts</b>	
Member Contributions for Services	\$25,000
Member Contributions for Financial Services	712,778
Earnings on Investments	59,195
<i>Total Cash Receipts</i>	796,973
<b>Cash Disbursements</b>	
Current:	
General Government	62,262
Services to Families	442,399
Bank Fees	395
<i>Total Cash Disbursements</i>	505,056
<i>Excess of Receipts Over (Under) Disbursements</i>	291,917
<b>Other Financing Receipts</b>	
Other Financing Sources	10,000
<i>Total Other Financing Receipts</i>	10,000
<i>Net Change in Fund Cash Balances</i>	301,917
<i>Fund Cash Balances, January 1</i>	41,641
<b>Fund Cash Balances, December 31</b>	
Unassigned (Deficit)	343,558
<i>Fund Cash Balances, December 31</i>	\$343,558

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

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Member Contributions	\$40,309,493
<i>Total Operating Cash Receipts</i>	40,309,493
<b>Operating Cash Disbursements</b>	
On-behalf Waiver Match Payments	39,100,456
<i>Total Operating Cash Disbursements</i>	39,100,456
<i>Operating Income</i>	1,209,037
<i>Income before Transfers</i>	1,209,037
Other Financing Uses	(10,000)
<i>Net Change in Fund Cash Balances</i>	1,199,037
<i>Fund Cash Balances, January 1</i>	7,257,114
<i>Fund Cash Balances, December 31</i>	\$8,456,151

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

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

The Council 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. These funds are deposited in the Council's depository account 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.

During 2012 and 2011, the Council conducted a joint marketing project and made Medicaid match payments to the state on behalf of some members as discussed in note 2. In future years the council intends to promote cooperative agreements and contracts among members as well as with other governmental, public and private agencies. This may include employing staff and contracting for services of consultants and experts.

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

**B. Accounting Basis**

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Council deposits all funds in an interest bearing checking account and holds a certificate of deposit at a local financial institution.

**D. Fund Accounting**

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

**1. General Fund**

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

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011  
(Continued)**

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

**2. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. The council has no private purpose trust funds.

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 2012 consisted of a percentage of the county board of developmental disabilities 2011 & 2012 waiver match funds, state reconciliation funds, state subsidy payments paid to the Council on behalf of member county boards, and residual funds from the above mentioned types from previous years. The member contributions were used to make State Medicaid match payments and other state required payments on behalf of the county boards indicated by approved invoices forwarded to the Council by the member county boards.

**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. 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  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011  
(Continued)**

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

**5. Unassigned**

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

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

**2. Equity in Pooled Deposits**

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

	2012	2011
Demand deposits	\$8,428,348	\$8,799,709

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

**3. Member Cash Balances**

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

Participating Members (Counties)	2012	2011
Butler	\$ 490,109	\$ 2,651,326
Clermont	\$ 192,933	\$ 369,207
Hamilton	\$ 18,661	\$ 196,212
Warren	\$ 7,216,099	\$ 5,239,406
<b>Total</b>	<b>\$ 7,917,802</b>	<b>\$ 8,456,151</b>

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011  
(Continued)**

**4. Risk Management**

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



# 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*

Southwestern Ohio Council of Governments  
Hamilton County  
1520 Madison Road  
Cincinnati, Ohio 45206

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 Southwestern Ohio Council of Governments, Hamilton County, Ohio (the Council), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2013 wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and that the Council adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

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

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

Our consideration of internal control was for the limited purpose described in the 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-001 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 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings 2012-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 22, 2013



**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

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

**FINDING NUMBER 2012-001**

**Noncompliance/Significant Deficiency**

**Ohio Admin. Code Section 117-2-02(A)** requires that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Monitoring controls are regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

The Council lacked management oversight over accounting and reconciliation processes, and the related financial reporting. We identified the following fund balance variances between the financial statements, accounting records, and bank reconciliations of the Council.

Fund Balance	Council Financial Total Balance	Prepared Statements - All Funds	Council Records Balance All Funds	Accounting - Total	Council Bank Total Balance Funds	Reconciled Balances - All Funds
2011		\$8,799,708		\$8,778,736		\$8,799,677
2012		\$8,450,687		\$8,450,915		\$8,450,737

Also, the Council did not accurately and timely record and report the movement of money between bank accounts, funds and sub-funds in 2012:

- A deposit in the amount of \$11,322 was initially deposited into the incorrect bank account (Agency), but was accurately recorded in the accounting records (General fund) as a member contribution. In an effort to correct the bank account error, the Council recorded the \$11,322 as a negative receipt in the Agency fund accounting records. This resulted in an understatement of Agency fund receipts. The Council adjusted the accounting records and financial statements to correct the \$11,322 negative receipt.
- A disbursement made in a prior period in the amount of \$16,275 was initially recorded to the incorrect fund (General fund) in the accounting records. In an effort to correct the accounting records error, the Council recorded the \$16,275 as a reduction to the Agency fund receipts and an increase to the General fund receipts, which resulted in the Council understating and overstating the receipts in these respective funds. Council also reported this adjustment on the financial statements as a transfer between the two funds. The Council recorded an audit adjustment on the financial statements to eliminate the transfer and to reclassify the correcting entry to other financing sources in the General fund and other financing uses in the Agency fund.
- The Council made intrafund transfers in various cost centers in the aggregate amount of \$33,662 in the General fund. These intrafund transfers were recorded as receipts, overstating the receipts of the General fund. The Council recorded an audit adjustment to eliminate the \$33,662 overstatement of receipts.

**FINDING NUMBER 2012-001  
(Continued)**

The Council reported in the 2012 client prepared financial statements an unsupported transfer in the amount of \$85,272 in the Agency fund and a related transfer out in the General fund. This transfer was neither approved by the Council Board nor recorded in the accounting records of the Council. The Council recorded an audit adjustment to correct the financial statements.

- The Council recorded one receipt totaling \$406,287 six months after the deposit date in 2011.

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

**Officials' response:**

Bank accounts are reconciled on a monthly basis and new consolidated reconciliation has been established to allow for both General & Agency Funds to be reconciled. A recommendation is being presented to the Finance Committee that would segregate the two bank accounts by General & Agency Funds. This would help with the monthly reconciliations.

Deposits are being more clearly identified as General or Agency Funds. Any transfers that occur are being done by check rather than bank transfer to give a clearer audit trail. The current accountant is more familiar with the distinction of General & Agency Funds, this has resulted in a better understanding on how to classify items in the accounting records.

Disbursements for payment of services between member counties are being booked as a check rather than deposits to eliminate overstatement of revenues as seen during this audit.

Transfers between funds are being handled as disbursements and must meet the required disbursement guidelines in place.

All deposits are recorded in a timely fashion. The bank account is now electronically reconciled on at least a weekly basis resulting in deposits and disbursements being posted in a timely fashion. The disbursement mentioned was deposited into the bank but not recorded in Quickbooks until the end of the fiscal year as the Council was not using Quickbooks as its accounting system during 2011.



# Dave Yost • Auditor of State

**SOUTHWESTERN OHIO COUNCIL OF GOVERNMENTS**

**HAMILTON 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 14, 2013**