

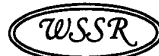
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SOUTHERN OHIO COUNCIL OF GOVERNMENTS  
ROSS COUNTY

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2005 & 2004

*Whited Seigneur Sams & Rahe, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS



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# Mary Taylor, CPA

Auditor of State

Board of Directors  
Southern Ohio Council of Governments  
PO Box 1787  
Chillicothe, OH 45601

We have reviewed the *Independent Auditors' Report* of the Southern Ohio Council of Governments, Ross County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2004 to December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southern Ohio Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 15, 2007

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**SOUTHERN OHIO COUNCIL OF GOVERNMENTS  
ROSS COUNTY, OHIO  
YEARS ENDED DECEMBER 31, 2005 AND 2004**

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# Whited Seigneur Sams & Rahe, LLP

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May 24, 2007

Southern Ohio Council of Governments  
Ross County  
VA Medical Center, Building 8  
17273 State Route 104  
Chillicothe, Ohio 45601

## Independent Auditors' Report

We have audited the accompanying financial statements of Southern Ohio Council of Governments, Ross County, Ohio (the Council) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Council has prepared these financial statements using accounting practices the Auditor of the State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since the Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Council as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 2.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2007, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



*SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY  
 Combined Statement of Cash Receipts, Cash Disbursements, and  
 Changes in Fund Cash Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 2005*

	Governmental Fund Types		
	General	Special Revenue	Total All Funds
<b><u>Cash Receipts:</u></b>			
Intergovernmental	\$ 718,804	\$ 1,651,002	\$ 2,369,806
Earnings on Investments	42,810	121,054	163,864
Other Revenue	-	3,090	3,090
Total Cash Receipts	<u>761,614</u>	<u>1,775,146</u>	<u>2,536,760</u>
<b><u>Cash Disbursements:</u></b>			
General:			
Wages and Benefits	669,548	-	669,548
Rent	10,200	-	10,200
Travel and Training	19,018	-	19,018
Equipment	2,857	-	2,857
Interest and Fiscal Charges	368	1,200	1,568
Miscellaneous	4,149	3,090	7,239
Contracted Services:			
Supported Living	-	746,646	746,646
I/O Waiver	-	24,182	24,182
Family Services	-	16,422	16,422
QA Services	-	63,111	63,111
MUI Investigations	-	12,459	12,459
Administration	<u>59,296</u>	<u>25,943</u>	<u>85,239</u>
Total Cash Disbursements	<u>765,436</u>	<u>893,053</u>	<u>1,658,489</u>
Total Cash Receipts Over/(Under)			
Cash Disbursements	(3,822)	882,093	878,271
<b><u>Other Financing Receipts/(Disbursements):</u></b>			
Transfers-In	58,042	30,000	88,042
Transfers-Out	<u>(30,000)</u>	<u>(58,042)</u>	<u>(88,042)</u>
Total Other Financing Receipts/(Disbursements)	<u>28,042</u>	<u>(28,042)</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	24,220	854,051	878,271
Fund Cash Balances, January 1	<u>334,504</u>	<u>3,050,023</u>	<u>3,384,527</u>
<b><i>Fund Cash Balances, December 31</i></b>	<u><u>\$ 358,724</u></u>	<u><u>\$ 3,904,074</u></u>	<u><u>\$ 4,262,798</u></u>

See accompanying notes to the financial statements.



*SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY*  
*Combined Statement of Cash Receipts, Cash Disbursements, and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2004*

	Governmental Fund Types		
	General	Special Revenue	Total All Funds
<b><u>Cash Receipts:</u></b>			
Intergovernmental	\$ 755,659	\$ 1,634,865	\$ 2,390,524
Earnings on Investments	20,101	118,707	138,808
Other Revenue	688	1,986	2,674
Total Cash Receipts	<u>776,448</u>	<u>1,755,558</u>	<u>2,532,006</u>
<b><u>Cash Disbursements:</u></b>			
General:			
Wages and Benefits	664,478	-	664,478
Rent	11,050	-	11,050
Travel and Training	21,842	-	21,842
Equipment	11,249	-	11,249
Interest and Fiscal Charges	503	1,259	1,762
Miscellaneous	2,208	6,107	8,315
Contracted Services:			
Supported Living	-	890,875	890,875
I/O Waiver	-	267,023	267,023
Family Services	-	13,882	13,882
QA Services	500	1,750	2,250
MUI Investigations	-	243	243
Administration	<u>85,001</u>	<u>405,405</u>	<u>490,406</u>
Total Cash Disbursements	<u>796,831</u>	<u>1,586,544</u>	<u>2,383,375</u>
Total Cash Receipts Over/(Under)			
Cash Disbursements	(20,383)	169,014	148,631
<b><u>Other Financing Receipts/(Disbursements):</u></b>			
Transfers-In	91,856	21,967	113,823
Transfers-Out	<u>(21,967)</u>	<u>(91,856)</u>	<u>(113,823)</u>
Total Other Financing Receipts/(Disbursements)	<u>69,889</u>	<u>(69,889)</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	49,506	99,125	148,631
Fund Cash Balances, January 1 (Restated, See Note 3)	<u>284,998</u>	<u>2,950,898</u>	<u>3,235,896</u>
<b><i>Fund Cash Balances, December 31</i></b>	<u><u>\$ 334,504</u></u>	<u><u>\$ 3,050,023</u></u>	<u><u>\$ 3,384,527</u></u>

See accompanying notes to the financial statements.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

**Note 1- Reporting Entity**

Southern Ohio Council of Governments, Ross County, Ohio, (the "Council"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by law pursuant to Ohio Rev. Code Section 167.01 and its member Boards. The Council's governing body, the Board of Directors, is comprised of a member from each of the fourteen participating County Mental Retardation and Developmental Disabilities Boards. The participating Counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton.

The Council offers the following services to participating Counties:

- Residential administration services (waiver and supported living programs);
- Supported living fiscal agent services;
- Quality assurance and provider compliance services (waiver and supported living programs);
- Contract negotiations with residential providers;
- Family resource services;
- Investigative agent services;
- Business manager services.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**Cash and Investments**

Investments are included in fund cash balances. Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts and disbursements, respectively. The purchase price is the carrying value of the investment.

**Fund Accounting**

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

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Fund Accounting (continued)

Special Revenue Funds: These funds are used to account for proceeds from specific sources that are legally restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Funds:

Athens County- This fund accounts for the activities of Athens County Board of MRDD, including waiver and supported living services.

Pike County- This fund accounts for the activities of the Pike County Board of MRDD, including family resource, supported living and waiver services.

Fayette County- This fund accounts for the activities of the Fayette County Board of MRDD, including supported living and waiver services.

Ohio Department of MRDD, I/O Waiver Match Reconciliation - This fund accounts for the subsequent settlement between the Ohio Department of MRDD and County Boards, through the Council, for the local match required for waiver services.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Council uses.

**Note 3- Prior Period Adjustment**

A prior period adjustment was necessary to properly classify fund cash balances between the General Fund and Special Revenue Funds which resulted in a reclassification of the January 1, 2004 fund cash balances as follows:

	General	Special Revenue	Total
Fund Balance, December 31, 2003:	\$ 789,640	\$ 2,446,256	\$ 3,235,896
Reclassification	(504,642)	504,642	-
Restated Fund Balance, January 1, 2004:	<u>\$ 284,998</u>	<u>\$ 2,950,898</u>	<u>\$ 3,235,896</u>

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

**Note 4 – Cash and Investments**

The Council maintains a cash and investments pool used by all funds. The Council's investment policy prescribes eligible investments. The carrying amount of cash and investments at December 31 was as follows:

	2005	2004
Money Market	\$ 2,138,448	\$ 1,610,608
Certificates of Deposit	771,000	394,000
Total deposits	2,909,448	2,004,608
Corporate Bonds (at cost)	40,000	1,304,919
Preferred Stocks (at cost)	1,313,350	-
Government and Agency Securities	-	75,000
Total investments	1,353,350	1,379,919
Total deposits and investments	\$ 4,262,798	\$ 3,384,527

The fair value of investments was \$1,257,102 and \$1,427,091 at December 31, 2005 and 2004, respectively .

**Note 5 – Member and General Operating Cash Balances**

Fund integrity in the Council accounting records reflects a special revenue fund for each County member. The fund cash balances of the County members and the Council general operating fund cash balance follows:

Participating Members (Counties)	2005	2004
Adams	\$ 186,357	\$ 144,920
Athens	2,225,952	1,796,498
Fayette	305,179	238,270
Gallia	66,579	59,246
Jackson	169,734	164,069
Pike	224,454	166,523
Ohio Department of MRDD I/O Waiver Match Reconciliation	725,819	480,497
Total County Funds	3,904,074	3,050,023
General Operating Fund	358,724	334,504
Total Cash Balance at December 31:	\$ 4,262,798	\$ 3,384,527

**Note 6 – Retirement System**

The Council's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

**Note 6 – Retirement System (continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of OPERS contributed 8.5% of their gross salaries. The Council contributed an amount equal to 13.55% of participants' gross salaries. The Council has paid all contributions required through December 31, 2005.

**Note 7- Deferred Compensation**

Council employees have the option of participating in the Ohio Public Employees Deferred Compensation Program created in accordance with the Internal Revenue Code Section 457. Under this program, employees elect to have a portion of their plan deferred until a future time. According to this plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The deferred pay and any income earned thereon are not subject to income tax until actually received by the employee. All amounts of compensation deferred under the plan, all property or rights (until paid or made available to the employee or other beneficiary) must be held in a trust, custodial account, or annuity contract for the exclusive benefit of plan participants and their beneficiaries. Deferred amounts from the plan are not considered "made available" just because a trust, custodial account or annuity contract holds these amounts.

**Note 8 – Risk Management**

**Commercial Insurance**

The Council has obtained commercial insurance for the following risks:

- Commercial general liability;
- Professional liability;
- Officers' liability.

**Note 9 – Contingent Liabilities**

**Grants**

The Council receives financial assistance from State and Local Boards of MR/DD. Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal and state government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material to the financial statements.

**Note 10- Concentrations of Risks**

The Council maintains its cash balances at one financial institution. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 for time and savings deposits and up to \$100,000 for demand deposits. At December 31, 2005 and 2004, the Council had \$2,731,300 and \$1,785,680 that was not insured by FDIC. However, these funds have been collateralized by the financial institution with U.S. Treasury and other eligible securities.

The Council receives the majority of its funding from three sources (Federal, State and local funds) which accounted for 94% and 94% of its revenue received for the years ended December 31, 2005 and 2004, respectively.

# Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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May 24, 2007

Southern Ohio Council of Governments  
Ross County  
VA Medical Center, Building 8  
17273 State Route 104  
Chillicothe, Ohio 45601

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

We have audited the accompanying financial statements of Southern Ohio Council of Governments, Ross County, Ohio (the Council) as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated May 24, 2007, wherein we noted the Council followed accounting practices prescribed or permitted by the Auditor of State rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable condition described above, we consider item 2005-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

*Whited Seigneur Sams & Rahe*

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Schedule of Findings and Responses**  
**For the Years Ended December 31, 2005 and 2004**

<b>Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS</b>
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Finding 2005-1- Material Weakness

There is a significant deficiency in the existing reconciliation process of the general ledger balances.

- The beginning QuickBooks fund cash balances were not in agreement with the 2003 audited balances.
- Multiple cash accounts existed in the general ledger which did not correspond or reconcile to any depository balance.
- Accrual (receivable and payable) balances existed at each year end in the Council's cash basis balance sheet.
- Investment account balances did not reconcile to the Merrill Lynch statements due to improper recording of investment purchases and sales.
- Old outstanding items were being carried forward for several years in the bank reconciliations .

Without the proper internal control procedures in place to reconcile bank activity to general ledger activity, the opportunity exists for the misstatement and potential misappropriation of revenues, expenditures and fund cash balances.

The General Ledger should be reconciled to QuickBooks monthly using the Balance Sheet and Profit and Loss Statement reports, at a minimum. Investment activity should be recorded in gross, not net, to separately record the gain or loss on the sale of investments. An investment ledger should be maintained to track the investments held, their cost, and assignment to member Counties. Old outstanding reconciling items should be investigated and resolved as the Board of Directors deems appropriate.

*Management's Response:*

- QuickBook fund balances are now in agreement with the 2003 audited balances after making the necessary adjusting entries.
- The General Ledger balances are now in agreement with the reconciled balances after making the necessary adjusting entries. The Balance Sheet and General Ledger, going forward, will be an integral part of each month's reconciliation process to make sure that there are no further discrepancies.
- All reports will now be generated on a cash basis so that there will be no more discrepancies with the cash basis balance sheet.
- Investment account balances have been corrected to agree with Merrill Lynch statements. New General Ledger accounts have been created so that all future investment purchases/sales will be recorded using the proper accounting entries. Further, individual monthly investment balances will be maintained for each member County.
- All old outstanding items have been investigated and cleared in the Quickbooks system.





**Mary Taylor, CPA**  
Auditor of State

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS**

**ROSS 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  
JUNE 28, 2007**