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**SOUTHERN OHIO COUNCIL OF GOVERNMENTS  
ROSS COUNTY**

**REGULAR AUDIT**

**YEARS ENDED DECEMBER 31, 2006 & 2007**

*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  
VA Medical Center, Building 8  
17273 State Route 104  
Chillicothe, Ohio 45601

We have reviewed the *Report of Independent Auditor* of the Southern Ohio Council of Governments, Ross County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2006 through December 31, 2007. 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 *Report of Independent Auditor* 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 *Report of Independent Auditor* 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

April 9, 2008

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**SOUTHERN OHIO COUNCIL OF GOVERNMENTS  
ROSS COUNTY, OHIO  
YEARS ENDED DECEMBER 31, 2006 AND 2007**

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# Whited Seigneur Sams & Rahe, LLP

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March 4, 2008

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, 2007 and 2006. 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 1, 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, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006. 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 March 4, 2008, 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, 2007**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total All Funds</u>
<b><u>Cash Receipts:</u></b>			
Supported Living	\$ 6,775	\$ 1,965,548	\$ 1,972,323
WAC Funds	96,804	-	96,804
I/O and Residential Facility Waiver	66,298	287,035	353,333
Cost Report Settlement	-	-	-
Family Services	547	22,531	23,078
QA Services	208,521	-	208,521
MUI Investigations	375,433	-	375,433
FFP Reimbursement	-	-	-
Earnings on Investments	32,238	252,515	284,753
Other Revenue	<u>17,647</u>	<u>664</u>	<u>18,311</u>
Total Cash Receipts	<u>804,263</u>	<u>2,528,293</u>	<u>3,332,556</u>
<b><u>Cash Disbursements:</u></b>			
Wages and Benefits	815,780	-	815,780
Rent	19,994	-	19,994
Travel and Training	30,854	-	30,854
Equipment	6,034	-	6,034
Interest and Fiscal Charges	380	1,226	1,606
Professional Fees	-	16,644	16,644
Miscellaneous	6,753	21,581	28,334
Administration	65,581	5,670	71,251
Supported Living	-	727,253	727,253
I/O and Residential Waiver	-	1,158,430	1,158,430
Family Services	-	35,510	35,510
QA Services	-	23,791	23,791
MUI Investigations	<u>-</u>	<u>42,873</u>	<u>42,873</u>
Total Cash Disbursements	<u>945,376</u>	<u>2,032,978</u>	<u>2,978,354</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(141,113)	495,315	354,202
<b><u>Other Financing Receipts (Disbursements):</u></b>			
Gain/(Loss) on Sale of Securities	(3,112)	(9,114)	(12,226)
Transfers In	94,489	2,069	96,558
Transfers Out	<u>(2,069)</u>	<u>(94,489)</u>	<u>(96,558)</u>
Total Other Financing Sources (Uses)	<u>89,308</u>	<u>(101,534)</u>	<u>(12,226)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Uses	(51,805)	393,781	341,976
Fund Cash Balances, January 1	<u>430,274</u>	<u>4,201,692</u>	<u>4,631,966</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 378,469</u></b>	<b><u>\$ 4,595,473</u></b>	<b><u>\$ 4,973,942</u></b>

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, 2006**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total All Funds</u>
<b><u>Cash Receipts:</u></b>			
Supported Living	\$ -	\$ 1,478,814	\$ 1,478,814
WAC Funds	87,669	-	87,669
I/O and Residential Facility Waiver	148,948	284,479	433,427
Cost Report Settlement	(7,832)	-	(7,832)
Family Services	562	22,544	23,106
QA Services	170,578	-	170,578
MUI Investigations	329,993	-	329,993
FFP Reimbursement	6,884	-	6,884
Earnings on Investments	59,614	170,350	229,964
Other Revenue	19,839	507,431	527,270
Total Cash Receipts	<u>816,255</u>	<u>2,463,618</u>	<u>3,279,873</u>
<b><u>Cash Disbursements:</u></b>			
Wages and Benefits	776,813	-	776,813
Rent	11,090	-	11,090
Travel and Training	29,673	-	29,673
Equipment	1,878	-	1,878
Interest and Fiscal Charges	438	1,200	1,638
Professional Fees	-	-	-
Miscellaneous	2,700	50	2,750
Administration	77,012	43,943	120,955
Supported Living	-	874,549	874,549
I/O and Residential Waiver	-	1,020,050	1,020,050
Family Services	-	30,746	30,746
QA Services	-	27,168	27,168
MUI Investigations	-	-	-
Total Cash Disbursements	<u>899,604</u>	<u>1,997,706</u>	<u>2,897,310</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(83,349)	465,912	382,563
<b><u>Other Financing Receipts (Disbursements):</u></b>			
Gain/(Loss) on Sale of Securities	2,088	(15,483)	(13,395)
Transfers In	281,301	128,490	409,791
Transfers Out	(128,490)	(281,301)	(409,791)
Total Other Financing Sources (Uses)	<u>154,899</u>	<u>(168,294)</u>	<u>(13,395)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Uses	71,550	297,618	369,168
Fund Cash Balances, January 1	<u>358,724</u>	<u>3,904,074</u>	<u>4,262,798</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 430,274</u></b>	<b><u>\$ 4,201,692</u></b>	<b><u>\$ 4,631,966</u></b>

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, 2007 and 2006**

**Note 1 – Summary of Significant Accounting Policies**

**Reporting Entity**

Southern Ohio Council of Governments, Ross County, Ohio, (the "Council"), was formed in March 1996 and began services in March 1997. The Council was created by Superintendents of County Boards of Mental Retardation and Developmental Disabilities in southern 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. The Council's governing body, the Board of Directors, is comprised of a member from each of the fifteen participating County Mental Retardation and Developmental Disabilities Boards. The participating Counties include: Adams, Athens, Brown, Clinton, 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.

**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, 2007 and 2006**

**Note 1 – 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 2 – 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:

	<u>2007</u>	<u>2006</u>
Money Market	\$ 3,307,004	\$ 2,709,589
Total deposits	<u>3,307,004</u>	<u>2,709,589</u>
Certificates of Deposit	395,000	656,000
Corporate Bonds (at cost)	40,000	40,000
Preferred Stocks (at cost)	<u>1,231,938</u>	<u>1,226,377</u>
Total investments	<u>1,666,938</u>	<u>1,922,377</u>
Total deposits and investments	<u>\$ 4,973,942</u>	<u>\$ 4,631,966</u>

The fair market value of investments was \$1,371,665 and \$1,894,909 at December 31, 2007 and 2006, respectively.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

**Note 3 – 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:

<u>Participating Members (Counties)</u>	<u>2007</u>	<u>2006</u>
Adams	\$ 270,962	\$ 215,139
Athens	2,283,632	2,136,470
Clinton	108,652	-
Fayette	275,013	298,242
Gallia	219,336	152,615
Jackson	90,052	180,426
Pike	845,725	703,481
Ohio Department of MRDD I/O Waiver Match Reconciliation	<u>502,101</u>	<u>515,319</u>
Total County Funds	4,595,473	4,201,692
General Operating Fund	<u>378,469</u>	<u>430,274</u>
Total Cash Balance at December 31:	<u>\$ 4,973,942</u>	<u>\$ 4,631,966</u>

**Note 4 – 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OPERS contributed 9% and 9.5% of their gross salaries. The Council contributed an amount equal to 13.7% in 2006 and 13.85% in 2007 of participants' gross salaries. The Council has paid all contributions required through December 31, 2007.

**Note 5- 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 pay 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.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**

**Note 6 – Risk Management**

**Commercial Insurance**

The Council has obtained commercial insurance for the following risks:

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

**Note 7- Concentration of Risks**

The Council maintains its cash balances at Merrill Lynch, a U.S.-registered broker-dealer. The Council's accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of Merrill Lynch's financial failure. If a U.S. broker-dealer fails, SIPC funds are available to clients to make up for any shortfall in client assets that the broker-dealer was required to maintain- up to a maximum of \$500,000 per client for securities, and inclusive of up to \$100,000 per client for cash.

Merrill Lynch has obtained private insurance coverage from Lloyd's of London to provide additional protection for client accounts in excess of SIPC limits. For customers who have received the full SIPC limits, further protection (including up to \$1.9 million for cash) is provided by the Lloyd's policy, subject to an aggregate loss limit of \$600 million for all customer claims.

SIPC and excess-SIPC protection does not protect against investment losses from market action.

Certificates of deposit held at Merrill Lynch are insured by the Federal Deposit Insurance Corporation (FDIC). The Council is insured up to \$100,000 for each bank that has issued a certificate of deposit. All of the Council's certificates are fully insured by FDIC.

# Whited Seigneur Sams & Rahe, LLP

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March 4, 2008

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, 2007 and 2006 and have issued our report thereon dated March 4, 2008, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2007-001 and 2007-002 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-001 and 2007-002 to be material weaknesses.

### **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*.

We noted certain matters that we reported to management of the Council in a separate letter dated March 4, 2008.

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

This report is intended solely for the information and use of the finance 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, 2007 and 2006**

<b>Findings Related to the Financial Statements</b> <b>Required to be Reported in Accordance with GAGAS</b>
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**Finding 2007-001- Significant Deficiency in Reconciliation Process**

**Material Weakness**

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

- The January 1, 2006 general ledger fund cash balances were not in agreement with the December 31, 2005 audited balances.
- Multiple cash accounts existed in the general ledger which did not correspond or reconcile to any depository balance.
- An accounts payable balance existed at each year end in the Council's cash basis balance sheet.
- General ledger investment balances at cost did not reconcile to the Merrill Lynch statements due to improper recording of gain or loss on sale of investments.

**Criteria:** A properly designed internal control procedure should exist which will ensure the accuracy and completeness of recorded transactions.

**Cause:** Management oversight.

**Effect:** Without a properly designed internal control procedure in place over general ledger reconciliations, the financial statements could contain omissions and/or misstatements.

**Recommendation:** The monthly bank statements should be reconciled to QuickBooks general ledger using the Balance Sheet and Profit and Loss Statement by Class reports, at a minimum. Unusual accounts and balances should be investigated.

Investment balances should be reconciled monthly to the broker statements. An investment ledger should be maintained to track the individual investments held, their cost, and assignment to member Counties.

Due to the set-up of the accounts in QuickBooks, a comparison of each class's (County) net income to the change in corresponding cash/investment account balances would verify completeness and accuracy of transactions posted.

Perhaps a checklist would aid in ensuring that all month-end reconciliation procedures have been completed.



**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Schedule of Findings and Responses**  
**For the Years Ended December 31, 2007 and 2006**

<b>Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS</b>
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**Management's Response:**

Beginning with the February 2008 monthly bank statements, the reconciliation procedure will include the use of the Balance Sheet and Profit and Loss Statement in order to determine any unusual accounts and/or balances therein.

Investment balances are, and have always been, reconciled to the broker statements each month. An investment ledger has always been maintained to track individual investments by member County. However, in addition to the investment's market value, an additional column will be added to include the investment's cost value. This will allow for the reconciliation of each member County's investment total to their associated investment account in the General Ledger.

Management would welcome the assistance of our auditor's in establishing a reconciliation checklist to ensure that all month-end reconciliations have been accurately and thoroughly completed.

**Finding 2007-002- Significant Deficiency in Internal Controls over Financial Reporting Process**  
**Material Weakness**

**Condition:** The Council does not have an internal control process in place over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.

**Criteria:** SAS No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, was issued in 2006 by the Auditing Standards Board and became effective for audits of financial statements for periods ending on or after December 31, 2006. The intent of SAS No. 112 was not to prevent auditors from preparing client's financial statements without having to report a significant deficiency or material weakness. Instead, the issue to be considered when determining if a significant deficiency or material weakness exists is whether the Council is capable of preparing the financial statements, including note disclosures, and has the skills and competencies necessary to prevent, detect, and correct misstatements.

**Cause:** New accounting pronouncement.

**Effect:** There were several material misstatements and misclassifications in the Council's general ledger which went uncorrected throughout the audit period.

**Recommendation:** Management needs to prepare and implement an accounting manual outlining duties to be performed, timing of those duties, and staff responsible for the duties. The accounting manual should cover internal control policies and procedures. The Business Manager should also be provided with necessary resource materials to keep current on changes in accounting practices the Auditor of the State prescribes or permits as well as disclosure requirements to enable him to be in a position to either prepare the annual financial statements or be in a position to oversee their preparation without material adjustment.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Schedule of Findings and Responses**  
**For the Years Ended December 31, 2007 and 2006**

<b>Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS</b>
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**Management's Response:**

Management disagrees with the recommendation that Southern Ohio Council needs to prepare and implement an accounting manual outlining duties to be performed, timing of those duties, and staff responsible for the duties. We have neither the manpower nor resources available to undertake such a project.

Firstly, the development of the checklist recommended in Finding 2007-001 would identify the duties to be performed each month in order to accurately reconcile the month-end financial balances. Also, the use of the Balance Sheet and Profit and Loss Statement will aid in uncovering any unusual/mistaken activity in member County accounts. This procedure should eliminate any further material misstatements and misclassifications in the General Ledger.

Secondly, the Business Manager of Southern Ohio Council is solely responsible for matters relating to the reconciliation, preparation, and correction of the financial statements of Southern Ohio Council. The Business Manager has attended all training presented by the Auditor of the State of Ohio as required by law.



**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  
APRIL 22, 2008**