



**Auditor of State
Betty Montgomery**

**SOUTHERN CONSORTIUM FOR RURAL CARE
ATHENS COUNTY**

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**Auditor of State
Betty Montgomery**

Southern Consortium for Rural Care
Athens County
7990 Dairy Lane
P.O. Box 130
Athens, Ohio 45701

To the Governing Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presented are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 20, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Southern Consortium for Rural Care
Athens County
7990 Dairy Lane
P.O. Box 130
Athens, Ohio 45701

To the Governing Board:

We have audited the accompanying financial statement of the Southern Consortium for Rural Care, Athens County, Ohio (the Consortium), as of March 31, 2005 and for the period July 1, 2004 through March 31, 2005. This financial statement is the responsibility of the Consortium's management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Consortium has prepared this financial statement using accounting practices the Auditor of 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP require the Consortium to reformat its financial statement presentation and make other changes effective for the period July 1, 2004 through March 31, 2005. Instead of the combined funds the accompanying financial statement presents for 2005, the revisions require presenting entity-wide statements and also to present its larger (i.e., major) funds separately for 2005. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Consortium has elected not to reformat its statement. Since the Consortium does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reflected 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 in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the period July 1, 2004 through March 31, 2005, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of March 31, 2005, or their changes in financial position for the period then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances of the Southern Consortium for Rural Care, Athens County, Ohio, as of March 31, 2005, and its combined cash receipts and disbursements for the period then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Consortium to include Management's Discussion and Analysis for the period July 1, 2004 through March 31, 2005. The Consortium 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2005, on our consideration of the Consortium'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

May 20, 2005

**SOUTHERN CONSORTIUM FOR RURAL CARE
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE PERIOD JULY 1, 2004 THROUGH MARCH 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$ 40,659	\$ 58,638	\$ 99,297
Earnings on Investments	547		547
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	41,206	58,638	99,844
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Administration	30,366		30,366
Forensic Development	36,977		36,977
System Development		17,449	17,449
Treatment Capacity Expansion		56,101	56,101
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	67,343	73,550	140,893
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(26,137)	(14,912)	(41,049)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Transfers-In	2	4,416	4,418
Transfers-Out	(4,416)	(2)	(4,418)
Cash Transferred to Southern Consortium for Children for Closeout	(73,123)	(59,201)	(132,324)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(77,537)	(54,787)	(132,324)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(103,674)	(69,699)	(173,373)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, July 1, 2004	103,674	69,699	173,373
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, March 31, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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**SOUTHERN CONSORTIUM FOR RURAL CARE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Southern Consortium for Rural Care, Athens County (the Consortium), is a Council of Governments created pursuant to Chapter 167 of the Ohio Revised Code on June 10, 1998. The Consortium was created and organized by the Alcohol, Drug Addiction and Mental Health Services Boards of Athens, Hocking, and Vinton Counties, Gallia, Jackson, and Meigs Counties, and Adams, Lawrence, and Scioto Counties and the Washington County Mental Health and Addiction Recovery Board. Each board is a member of the Consortium. The Executive Director of each Board is that respective member's representative to the Consortium's Governing Board. The Consortium coordinates, plans, develops and/or implements collaborative efforts toward, and manages pooled resources for, managed care for behavioral health services for residents of the members' service area.

The Consortium approved a resolution to dissolve the Regional Council of Governments effective March 31, 2005. At the same time it approved a resolution to merge its programming with the Southern Consortium for Children and to continue providing the same services under the Southern Consortium for Children's guidance and supervision. The closing fund balance at March 31, 2005, was transferred to the Southern Consortium for Children and was allocated as a Special Projects Fund. The individual Boards approved dissolution resolutions as follows:

Adams-Lawrence-Scioto	Resolution 02/15/05-2005-24	February 15, 2005
Athens-Hocking-Vinton	Resolution 05-03-4	February 28, 2005
Gallia-Jackson-Meigs	Resolution 05:157	January 31, 2005
Washington County	Resolution 05:17	February 24, 2005

The Consortium's management believes this financial statement presents all activities for which the Consortium is financially accountable.

B. Basis of Accounting

This financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement adequately discloses material matters the Auditor of State prescribes.

C. Fund Accounting

The Consortium uses fund accounting to segregate cash and investments that are restricted as to use. The Consortium 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.

**SOUTHERN CONSORTIUM FOR RURAL CARE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds

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

Detox Fund - This fund is to be used to fill gaps in service for the target population of the medically indigent and/or persons involved in the criminal justice system. The funds are prioritized for detoxification services for medically indigent persons.

Collaborative Development Fund – This fund is utilized for projects that mutually benefit all Consortium members such as continuous quality improvement expenses, equipment upgrades and monthly MACSIS telecommunication expenditures.

D. Fiscal Agent

The Southern Consortium for Children is the designate fiscal agent. However, the Consortium maintains its own bank account.

E. Contracted Services

The Consortium contracted with Marietta Memorial Hospital to provide 24-hour observation bed and acute hospital detoxification. The Consortium also contracted with a physician to provide medical detoxification services appropriate to the needs of adult Consortium clients.

F. Budgetary Process

The Consortium is not subject to Ohio Revised Code Section 5705; however, the Consortium does adopt a budget and estimates revenue for each fiscal year.

1. Appropriations

The Executive Director of the Consortium prepares a budget for the next fiscal year at the end of the current fiscal year. The budget is presented to the Governing Board in their June meeting. Amendments to the budget are also brought to the Governing Board for their approval. Budgetary expenditures are compared to actual expenditures at the end of each month. This information is presented to the Governing Board for their approval.

2. Estimated Resources

The Executive Director prepares the estimated receipts for the next fiscal year at the end of the current fiscal year. Estimated receipts are prepared based on what the Executive Director feels is appropriate based on the prior year's actual revenue and any new sources of funds for the next fiscal year. Estimated receipts are compared to actual receipts at the end of each month. This information is brought to the Governing Board for their approval.

**SOUTHERN CONSORTIUM FOR RURAL CARE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

3. Encumbrances

The Consortium reserves (encumbers) appropriations when commitments are made. At March 31, 2005, there were no encumbrances.

A summary of 2005 budgetary activity appears in Note 3.

2. EQUITY IN POOLED CASH

The Consortium maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

Demand deposits	2005
	\$ 0

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending March 31, 2005, follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 68,363	\$ 41,208	\$ (27,155)
Special Revenue	88,400	63,054	(25,346)
Total	\$ 156,763	\$ 104,262	\$ (52,501)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 116,979	\$ 144,882	\$ (27,903)
Special Revenue	122,798	132,753	(9,955)
Total	\$ 239,777	\$ 277,635	\$ (37,858)

The Appropriation Authority was the budgeted total. Because of the dissolution of the Consortium, the Budgetary Expenditures include the approved expenditures plus the disbursement of the unappropriated fund balances to the Southern Consortium for Children to close out the funds. The inclusion of the amounts transferred to the Southern Consortium for Children resulted in negative variances, but no noncompliance.

**SOUTHERN CONSORTIUM FOR RURAL CARE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 2005
(Continued)**

4. RISK MANAGEMENT

The Athens, Hocking, and Vinton Alcohol, Drug Addiction and Mental Health Services Board (the Board) maintains all the insurance for the Consortium. The Board has commercial coverage for their insurance needs. Other commercial coverage carried by the Consortium included directors and officers liability insurance.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Southern Consortium for Rural Care
Athens County
7990 Dairy Lane
P.O. Box 130
Athens, Ohio 45701

To the Governing Board:

We have audited the financial statement of the Southern Consortium for Rural Care, Athens County, Ohio (the Consortium), as of March 31, 2005 and for the period July 1, 2004 through March 31, 2005, and have issued our report thereon dated May 20, 2005, wherein we noted the Consortium followed accounting practices the Auditor of State prescribes 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statement and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 material to the financial statement we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Consortium's financial statement is 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, providing an opinion 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 that we must report under *Government Auditing Standards*.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Southern Consortium for Rural Care
Athens County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of management and the Governing Board. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 20, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

SOUTHERN CONSORTIUM FOR RURAL CARE

ATHENS 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, 2005**