



**Auditor of State
Betty Montgomery**

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9

THIS PAGE INTENTIONALLY LEFT BLANK



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Southern Ohio Council of Governments
Ross County
43 North Paint Street
Chillicothe Ohio

To the Members of Council:

We have audited the accompanying financial statements of the Southern Ohio Council of Governments, Ross County, Ohio, (the Council) as of and for the years ended December 31, 2003, and December 31, 2002. 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 discussed in Note 1, the Council prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Southern Ohio Council of Governments, Ross County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Members of Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

November 18, 2004

**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, 2003**

	<u>Governmental Fund Types</u>		<u>Total All Funds</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental-Federal	\$ 275,003	\$0	\$ 275,003
Intergovernmental-State	247,655	778,486	1,026,141
Intergovernmental-Local	276,908	507,327	784,235
Earnings on Investments	5,640	96,332	101,972
Other Revenue	235	38,655	38,890
	<u>805,441</u>	<u>1,420,800</u>	<u>2,226,241</u>
Cash Disbursements:			
Provider Services	0	74,837	74,837
Rent	7,600	0	7,600
Room and Board	0	363,837	363,837
Travel and Training	24,586	0	24,586
Supported Living	0	1,055,522	1,055,522
Equipment	5,862	0	5,862
Professional Services	59,672	0	59,672
Administration	558,608	25,987	584,595
I/O Waiver	383,441	290,271	673,712
	<u>1,039,769</u>	<u>1,810,454</u>	<u>2,850,223</u>
Total Cash Receipts(Under) Cash Disbursements	<u>(234,328)</u>	<u>(389,654)</u>	<u>(623,982)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In	0	151,150	151,150
Transfers-Out	(151,150)	0	(151,150)
	<u>(151,150)</u>	<u>151,150</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(385,478)	(238,504)	(623,982)
Fund Cash Balances, January 1	<u>1,175,118</u>	<u>2,684,760</u>	<u>3,859,878</u>
Fund Cash Balances, December 31	<u>\$789,640</u>	<u>\$2,446,256</u>	<u>\$3,235,896</u>

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

**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, 2002**

	General	Special Revenue	Total All Funds
Cash Receipts:			
Intergovernmental-Federal	\$272,938	\$0	\$272,938
Intergovernmental-State	727,985	1,044,770	1,772,755
Intergovernmental-Local	202,040	295,024	497,064
Earnings on Investments	13,391	100,336	113,727
Other Revenue	13,052	11,101	24,153
 Total Cash Receipts	 1,229,406	 1,451,231	 2,680,637
Cash Disbursements:			
Provider Services	0	86,180	86,180
Rent	7,200	0	7,200
Room and Board	0	52,800	52,800
Travel and Training	22,225	0	22,225
Supported Living	0	1,265,235	1,265,235
Equipment	9,703	0	9,703
Professional Services	7,763	0	7,763
Administration	445,272	241,470	686,742
I/O Waiver	0	281,115	281,115
 Total Cash Disbursements	 492,163	 1,926,800	 2,418,963
 Total Cash Receipts Over/(Under)Cash Disbursements	 737,243	 (475,569)	 261,674
Other Financing (Disbursements):			
Loss on Sale of Callable Bonds	0	(10,853)	(10,853)
 Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursement	 737,243	 (486,422)	 250,821
 Fund Cash Balances, January 1	 437,875	 3,171,182	 3,609,057
 Fund Cash Balances, December 31	 \$1,175,118	 \$2,684,760	 \$3,859,878

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

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Southern Ohio Council of Governments, Ross County, Ohio, (the "Council") is a body corporate and politic 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 eight participating County Mental Retardation and Developmental Disabilities Boards.

The participating Counties include: Adams, Athens, Fayette, Gallia, Jackson, Pickaway, Pike, and Scioto.

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

B. 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.

C. 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 or disbursements, respectively. The purchase price is the carrying value of the investment.

Corporate bonds are valued at cost. The money market mutual fund is valued at the share value reported by the fund.

D. 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:

1. 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.

2. Special Revenue Funds

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

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Supported Living Fund – This fund receives Intergovernmental Revenue by County to fund each County's Supported Living activities.

Waiver Fund – This fund receives Intergovernmental Revenue to fund each County's Waiver activities.

F. 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.

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investments pool used by all funds. The Council by laws prescribe eligible investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Money Market	\$1,612,246	\$2,408,606
Certificates of deposit	394,000	708,000
Total deposits	2,006,246	3,116,606
Corporate Bonds (at cost)	1,229,650	743,272
Total investments	1,229,650	743,272
Total deposits and investments	\$3,235,896	\$3,859,878

The corporate bonds' fair value was \$1,303,635 and \$757,412 at December 31, 2003 and 2002.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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:

Participating Members (County)	2003	2002
Adams	\$133,700	\$113,401
Athens	1,516,900	1,803,334
Fayette	241,704	252,713
Gallia	17,803	237,268
Jackson	151,150	0
Pike	251,524	62,998
Pickaway	13,824	89,450
Scioto	119,651	125,596
Total County Funds	\$2,446,256	\$2,684,760
 General Operating Fund	 789,640	 1,175,118
 Total Cash Balance at December 31:	 \$3,235,896	 \$3,859,878

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 2003 and 2002, 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, 2003.

5. RISK MANAGEMENT

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. CONTINGENT LIABILITIES

Grants

The Council receives financial assistance from State and Local Boards of MR/DD in the form of grants. 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.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Southern Ohio Council of Governments
Ross County
43 North Paint Street
Chillicothe, Ohio 45601

To the Members of Council:

We have audited the financial statements of the Southern Ohio Council of Governments, Ross County, Ohio, (the "Council") as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated November 18, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the Council's management in a separate letter dated November 18, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Council in a separate letter dated November 18, 2004.

35 N. Fourth St. / First Floor / Columbus, OH 43215
Telephone: (614) 466-3340 (800) 282-0370 Fax: (614) 728-7398
www.auditor.state.oh.us

This report is intended solely for the information and use of the management and the Members of Council, and is not intended to be and should not be used by 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

November 18, 2004



**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 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
MARCH 8, 2005**