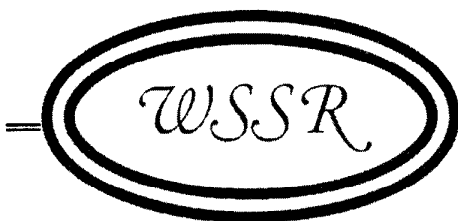


**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2009 & 2008



Whited Seigneur Sams & Rabe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Mary Taylor, CPA

Auditor of State

Board of Directors
Southern Ohio Council of Governments
17273 State Route 104
Chillicothe, Ohio 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, 2008 through December 31, 2009. 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

April 27, 2010

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**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY, OHIO
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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Nathan C. Baldwin, CPA

March 19, 2010

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, 2009 and 2008. 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 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 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 GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require the Council to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. 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 for the years ended December 31, 2009 and 2008 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, 2009 and 2008, 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 fund cash balances of the Council as of December 31, 2009 and 2008 and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As further described in Note 11, the Council restated its January 1, 2008 fund balances to reclassify certain funds which were determined to be agency funds.

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 19, 2010, 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. While we did not opine on the internal control over financial reporting and 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Cash Receipts:		
Charges for Services	\$ 952,974	\$ 905,784
Earnings on Investments	1,937	9,021
Investment Management Fee	-	74,316
Other Revenue	4,181	882
 Total Cash Receipts	 959,092	 990,003
 Cash Disbursements:		
Wages and Benefits	810,641	815,443
Purchased Services	45,823	52,330
Supplies and Materials	5,924	8,560
Rent	18,456	18,456
Travel and Training	22,470	34,521
Equipment	3,049	470
Miscellaneous	2,504	1,537
 Total Cash Disbursements	 908,867	 931,317
 Total Cash Receipts Over Cash Disbursements	 50,225	 58,686
 Fund Cash Balances, January 1 (Restated)	 74,939	 16,289
 Fund Cash Balances, December 31	 \$ 125,164	 \$ 74,975

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

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

	Agency	
	2009	2008
Operating Cash Disbursements:		
Purchased Services	\$ 2,196,200	\$ 1,874,253
Supplies and Materials	20,582	-
Other	-	44,000
	2,216,782	1,918,253
 Total Operating Cash Disbursements	 2,216,782	 1,918,253
 Operating Income/(Loss)	 (2,216,782)	 (1,918,253)
 Non-Operating Cash Receipts:		
Intergovernmental	2,247,886	2,389,447
Miscellaneous Receipts	150	4,803
Earnings on Investments	128,969	191,128
Gain (Loss) on Sale of Investments	(17,021)	-
	2,359,984	2,585,378
 Total Non-Operating Cash Receipts	 2,359,984	 2,585,378
 Excess of Receipts Over/(Under) Disbursements	 143,202	 667,125
 Fund Cash Balances, January 1 (Restated)	 5,624,779	 4,957,654
 Fund Cash Balances, December 31	 \$ 5,767,981	 \$ 5,624,779

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
For the Years Ended December 31, 2009 and 2008

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 serves as fiscal agent to various members.

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.

SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (continued)

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

2. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Council's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Council disburses these funds as directed by the individual, organization or other government. The Council's agency funds reflect transactions made on behalf of member County boards.

Budgetary Process

The Ohio Revised Code does not require the Council to budget annually. However, management prepares a budget for internal monitoring.

A summary of 2009 and 2008 budgetary activity appears in Note 6.

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.

SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

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>2009</u>	<u>2008</u>
Money Market	\$ 2,915,262	\$ 3,920,444
Certificates of Deposit	<u>50,000</u>	<u>393,000</u>
Total Deposits	2,965,262	4,313,444
Corporate Bonds	1,424,237	-
Preferred Stocks	<u>1,503,646</u>	<u>1,386,310</u>
Total Investments	<u>2,927,883</u>	<u>1,386,310</u>
Total Deposits and Investments	<u>\$ 5,893,145</u>	<u>\$ 5,699,754</u>

Deposits are insured by the Federal Depository Insurance Corporation. The fair market value of investments was \$2,569,088 and \$1,103,891 at December 31, 2009 and 2008, respectively.

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. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Contribution rates are also prescribed by the Ohio Revised Code. For both 2009 and 2008, members of OPERS contributed 10% of their gross salaries. The Council contributed an amount equal to 14% in 2009 and 2008 of participants' gross salaries. The portion of employer contributions allocated to health care was 7% from January 1, 2008 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The Council has paid all contributions required through December 31, 2009.

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, 2009 and 2008

Note 6- Budgetary Activity

Budgetary activity for the years ended December 31, 2009 and 2008 is as follows:

2009 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$898,078	\$959,092	\$61,014

2009 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Budgeted	Actual	Variance
	Expenditures	Expenditures	
General	\$897,738	\$908,867	(\$11,129)

2008 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$961,853	\$990,003	\$28,150

2008 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Budgeted	Actual	Variance
	Expenditures	Expenditures	
General	\$952,647	\$931,317	\$21,330

Note 7 – Operating Lease

The Council leases office space from the Department of Veterans Affairs Medical Center. The lease is for an initial period of five years and may be renewed for an additional five years. Future lease payments under the original lease are as follows:

2010	\$18,456
2011	<u>6,152</u>
	<u>\$24,608</u>

Note 8- Long Term Obligation

In 2009, the Council was notified that a settlement was due to the Ohio Department of Mental Retardation and Developmental Disabilities due to the reconciliation of fiscal years 2000-2003 for the Community Alternative Funding System (CAFS). The Council established a five year payment plan with simple annual interest. The current rate is 5%, subject to change annually. The future payments are as follows:

2010	\$ 4,053
2011	4,053
2012	4,053
2013	4,053
2014	<u>4,055</u>
	<u>\$20,267</u>

SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 9- Risk Management

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

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

The Council also provides health insurance, dental, and vision coverage to full-time employees.

Note 10- 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.

Note 11- Restatement of Fund Balance

The Council's December 31, 2007 Special Revenue Fund cash balances previously reported as \$4,595,474 was removed from the financial statement as they were determined to be fiduciary fund type. This cash fund balance is funds held by the Council as fiscal agent of member County Boards. It was also determined that the December 31, 2007 General Fund type balance of \$378,469 was also reported to include \$362,180 of investments earmarked to member County Boards.

Fund Cash Balances, December 31, 2007	\$4,973,943
Restatement	<u>(4,957,654)</u>
Fund Cash Balances, January 1, 2008	<u>\$ 16,289</u>

Note 12- Subsequent Events

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through March 19, 2010, the date the financial statements were issued.

Whited Seigneur Sams & Rahe, LLP

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March 19, 2010

Southern Ohio Council of Governments
Ross County
VA Medical Center, Building 8
17273 State Route 104
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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, 2009 and 2008 and have issued our report thereon dated March 19, 2010, 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 or other matters 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 19, 2010.

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



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
MAY 11, 2010**