

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY**

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2013 & 2012



Whited Seigneur Sams & Rabe, LLP
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Dave Yost • Auditor of State

Board of Directors
Southern Ohio Council of Governments
126 East Second Street, Suite C
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Council of Governments, Ross County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2012 through December 31, 2013. 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.

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 20, 2014

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**SOUTHERN OHIO COUNCIL OF GOVERNMENTS
ROSS COUNTY, OHIO
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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INDEPENDENT AUDITOR'S REPORT

April 4, 2014

Southern Ohio Council of Governments
Ross County
126 East Second Street, Suite C
Chillicothe, Ohio 45601

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Southern Ohio Council of Governments (the Council) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices the Auditor of State prescribes or permits; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2014, 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. The purpose of that report is to describe the scope of our testing of internal control of financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control of financial reporting and compliance.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash Receipts:		
Charges for Services	\$ 1,138,974	\$ 914,373
Earnings on Investments	306	1,341
Gain(Loss) on Sale of Investments	-	7,976
Other Revenue	<u>40,928</u>	<u>6,965</u>
Total Cash Receipts	<u>1,180,208</u>	<u>930,655</u>
Cash Disbursements:		
Wages and Benefits	930,213	703,957
Purchased Services	25,251	59,804
Supplies and Materials	10,728	11,692
Rent	14,812	16,510
Travel and Training	31,703	26,927
Equipment	1,868	11,748
Miscellaneous	<u>50,347</u>	<u>48,752</u>
Total Cash Disbursements	<u>1,064,922</u>	<u>879,390</u>
Total Cash Receipts Over Cash Disbursements	115,286	51,265
Fund Cash Balances, January 1	<u>1,315,518</u>	<u>1,264,253</u>
Fund Cash Balances, December 31		
Unassigned	<u>1,430,804</u>	<u>1,315,518</u>
Fund Cash Balances, December 31	<u>\$ 1,430,804</u>	<u>\$ 1,315,518</u>

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, 2013 and 2012**

	Agency	
	2013	2012
Operating Cash Receipts:		
Intergovernmental	\$ 38,725	\$ 907,066
 Total Operating Cash Receipts	38,725	907,066
Operating Cash Disbursements:		
Purchased Services	557,028	3,475,088
Supplies and Materials	-	2,716
Other	196,726	980,661
 Total Operating Cash Disbursements	753,754	4,458,465
 Operating Income/(Loss)	(715,029)	(3,551,399)
Non-Operating Cash Receipts:		
Miscellaneous Receipts	915	60,370
Earnings on Investments	2,075	77,823
Gain (Loss) on Sale of Investments	(87,071)	128,381
 Total Non-Operating Cash Receipts	(84,081)	266,574
 Excess of Receipts Over/(Under) Disbursements	(799,110)	(3,284,825)
 Fund Cash Balances, January 1	3,186,881	6,471,706
 Fund Cash Balances, December 31	\$ 2,387,771	\$ 3,186,881

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, 2013 and 2012

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 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 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: administrative and fiscal services; quality assurance services; and investigative 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.

Deposits and Investments

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or 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:

1. General Fund

The General Fund reports 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, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

- Nonspendable – The Council classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.
- Restricted – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
- Committed – Trustees can commit amounts via formal action (resolution). The Council must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (continued)

- Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Council Board or official delegated that authority by resolutions, or by State Statute.
- Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2 – Equity in Pooled Deposits and Investments

The Council's investment policy prescribes eligible investments. The carrying amount of cash and investments in pooled accounts at December 31 was as follows:

	2013	2012
Cash	\$ 2,918,575	\$ -
Money Market	-	4,307,801
Certificates of Deposit	900,000	-
Total Deposits	3,818,575	4,307,801
Preferred Stocks and Bonds	-	194,598
Total Investments	-	194,598
Total Deposits and Investments	\$ 3,818,575	\$ 4,502,399

The fair market value of investments was \$0 and \$107,527 at December 31, 2013 and 2012, respectively.

Note 3 – Defined Benefit Pension Plan

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 3 – Defined Benefit Pension Plan (Continued)

Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that can be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 1-800-222-7377, or by using the OPERS website at www.OPERS.org.

Employee and employer contributions to OPERS are established under the Ohio Revised Code and are based upon percentages of covered employees' gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. For calendar years 2013 and 2012, the employee and the employer contribution rates were 10 percent and 14 percent, respectively, for all Council employees.

The Council's contributions to the OPERS for the years ending December 31, 2013 and 2012 were \$89,014 and \$64,262, respectively, which were equal to the required contributions for each year.

Note 4- 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, 2013 and 2012

Note 5 – Operating Lease

The Council is utilizing a copier and office space through operating lease agreements. Future lease payments under the lease are as follows:

	Copier	Office Space	Total
2014	\$ 3,999	\$ 14,598	\$ 18,597
2015	3,665	14,598	18,263
2016	-	6,083	6,083
2017	-	-	-
Thereafter	-	-	-
	\$ 7,664	\$ 35,279	\$ 42,943

Note 6- 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 7- Concentration of Risks

At December 31, 2012, the Council's cash balances were maintained exclusively at Merrill Lynch, a U.S.-registered broker-dealer. The Council's accounts were 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.

In response to Attorney General Opinion No. 2012-013 concerning investments of County Boards of DD money, the Council liquidated all of their cash deposits and investments out of Merrill Lynch. At December 31, 2013, the Council maintained all cash and cash equivalents at Huntington National Bank.

The Federal Deposit Insurance Corporation insures accounts up to \$250,000 at each institution. The Council had \$3,569,998 in excess of the insured limit for the year ending December 31, 2013. Huntington National Bank collateralizes all public deposits exceeding FDIC Insurance limits.

SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 8- Contingent Liabilities

Amounts state agencies pay to the Council are subject to audit and adjustment. The state agencies may require refunding any disallowed costs. Management cannot presently determine amounts that state agencies may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 9- Subsequent Events

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through April 4, 2014, the date the financial statements were available to be issued.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 4, 2014

Southern Ohio Council of Governments
Ross County
126 East Second Street, Suite C
Chillicothe, Ohio 45601

We have audited, in accordance with the 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, the financial statements of Southern Ohio Council of Governments (the Council) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated April 4, 2014, wherein we noted the Council follows a special purpose framework the Auditor of States prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 have not opined on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 April 4, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

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Dave Yost • Auditor of State

SOUTHERN OHIO COUNCIL OF GOVERNMENTS

ROSS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2014**