

***LICKING/RICHLAND COUNCIL OF GOVERNMENT
RICHLAND COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Council Members
Licking/Richland Council of Government
Mansfield, Ohio

We have reviewed the *Report of Independent Accountants* of the Licking/Richland Council of Government, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 Accountants* 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 Accountants* 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 Licking/Richland Council of Government is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 8, 2006

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**LICKING/RICHLAND COUNCIL OF GOVERNMENT
RICHLAND COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2004 & 2003**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Licking/Richland Council of Government
Richland County
314 Cleveland Avenue
Mansfield, Ohio 44902

We have audited the accompanying financial statements of the Licking/Richland Council of Government, Richland County, Ohio (the COG), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the COG'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 COG has prepared these financial statements 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 statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the COG to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. While the COG 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 COG has elected not to reformat its statements. Since the COG 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 in 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 year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the COG as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Licking/Richland Council of Government, Richland County, as of December 31, 2004 and 2003, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the COG to include Management's Discussion and Analysis for the year ended December 31, 2004. The COG 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 May 6, 2006, on our consideration of the COG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Charles E. Harris & Associates, Inc.

May 6, 2006

**LICKING/RICHLAND COUNCIL OF GOVERNMENT
 RICHLAND COUNTY, OHIO
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Receipts:		
Intergovernmental	\$ 1,096,443	\$ 805,612
Earnings of Investments	<u>62,757</u>	<u>49,180</u>
Total Receipts	1,159,200	854,792
Disbursements:		
Contractual Services	479,821	386,814
Supplies	<u>11,756</u>	<u>6,799</u>
Total Disbursements	<u>491,577</u>	<u>393,613</u>
Total Receipts Over/(Under) Disbursements	667,623	461,179
Fund Balance, January 1	<u>4,734,055</u>	<u>4,272,876</u>
Fund Balance, December 31	\$ <u><u>5,401,678</u></u>	\$ <u><u>4,734,055</u></u>

See Accompanying Notes to the Financial Statements.

LICKING/RICHLAND COUNCIL OF GOVERNMENT
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Licking/Richland Council of Government, Richland County (the COG) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The COG was officially formed on May 1, 1997, with financial operations commencing July, 1997. Eligibility for membership in the COG is limited to the Licking and Richland County Boards of Mental Retardation and Developmental Disabilities. Each Board appoints its Superintendent to act as its representative at the COG meetings and for all COG business. The COG provides homemaker, personal care, transportation and other related services to persons with mental retardation and developmental disabilities. These services are provided primarily through contracts with private agencies.

The COG management believes these financial statements present all activities for which the COG is financially accountable.

B. BASIS OF ACCOUNTING

The COG prepares its financial statements following 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.

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. BUDGETARY PROCESS

The COG is not required to follow budgetary procedures as prescribed by the Ohio Revised Code; however, the COG uses internal budgets for planning purposes, which they adopt annually for expenditures.

**LICKING/RICHLAND COUNCIL OF GOVERNMENT
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. PROPERTY, PLANT AND EQUIPMENT

The COG does not own property, plant and equipment. Property, plant and equipment used by the COG are provided by the Licking and Richland County Boards of Mental Retardation and Developmental Disabilities.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$ 11,107	\$ 2,537
STAR Ohio	<u>5,390,571</u>	<u>4,731,518</u>
Total Deposits and Investments	<u>\$5,401,678</u>	<u>\$4,734,055</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the COG or (3) collateralized by the financial institution's public entity deposit pool.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Estimated vs. Actual Receipts		
Estimated Receipts	Actual Receipts	Variance
\$ -	\$ 1,159,200	\$ 1,159,200

2004 Estimated vs. Actual Disbursements		
Estimated Disbursements	Actual Disbursements	Variance
\$662,128	\$ 491,577	\$ 170,551

**LICKING/RICHLAND COUNCIL OF GOVERNMENT
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2004 and 2003**

3. BUDGETARY ACTIVITY – (Continued)

2003 Estimated vs. Actual Receipts		
Estimated Receipts	Actual Receipts	Variance
\$ -	\$ 854,792	\$ 854,792

2003 Estimated vs. Actual Disbursements		
Estimated Disbursements	Actual Disbursements	Variance
\$633,373	\$ 393,613	\$ 239,760

4. RISK MANAGEMENT

The COG has general liability coverage through the Licking and Richland County Boards of Mental Retardation and Developmental Disabilities.

5. RELATED PARTY TRANSACTIONS

Certain employees of the Licking and Richland Board of Mental Retardation and Developmental Disabilities provide services to the COG without charge. In addition, the CPG has free use of office space owned by Richland County.

6. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Licking /Richland Council of Government
Richland County
314 Cleveland Avenue
Mansfield, Ohio 44902

We have audited the financial statements of the Licking/Richland Council of Government, Richland County, Ohio (the COG), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 5, 2006, wherein we noted the COG 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the COG's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the COG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

This report is intended solely for the information and use of the management and the COG Council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
May 6, 2006

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2002 and 2001, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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LICKING/RICHLAND COUNCIL OF GOVERNMENT

RICHLAND 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 20, 2006**