



**SOUTHERN CONSORTIUM FOR CHILDREN  
ATHENS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004**



**Auditor of State  
Betty Montgomery**



**SOUTHERN CONSORTIUM FOR CHILDREN  
ATHENS COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Southern Consortium for Children  
Athens County  
20 East Circle Drive, Unit 37206  
PO Box 956  
Athens, Ohio 45701

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Consortium for Children, Athens County, Ohio (the Consortium), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. 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 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Consortium for Children, Athens County, Ohio, as of December 31, 2005 and 2004 and the respective changes in modified cash financial position for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2005 and 2004, the Consortium revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2006, 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management, regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

April 5, 2006

**Southern Consortium for Children**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2005 and 2004*  
*Unaudited*

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This discussion and analysis of the Southern Consortium for Children's (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the years ended December 31, 2005, and 2004, within the limitations of the Consortium's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Consortium's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$104,536 or 54 percent. The increase in cash and cash equivalents was primarily due to timing of fund receipts for the Early Childhood Mental Health Initiative program.

Key highlights for 2004 are as follows:

- Net assets of governmental activities increased \$19,887 or 12 percent. The increase in cash and cash equivalents was primarily due to timing of fund receipts for the Early Childhood Mental Health Initiative program.
- Core funding from the Ohio Department of Mental Health decreased \$9,899 or 17 percent. The Rural Health Telemedicine Grant Program was in effect for the full year, increasing both revenue and expenditures by \$250,000. Additionally, we started the first year of another three-year cycle from the Runaway Homeless Youth grant with a budget of \$150,000, up from \$138,632 during the previous cycle.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Consortium's modified cash basis of accounting.

**Report Components**

The statement of activities provides information about the cash activities of the Consortium as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Consortium as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Southern Consortium for Children**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Consortium has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. Under the Consortium's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Consortium as a Whole**

The statements of activities – modified cash basis reflect how the Consortium did financially during 2005 and 2004, within the limitations of modified cash basis accounting. The statements of net assets – modified cash basis present the cash balances and investments of the governmental activities of the Consortium at year end. The statements of activities compare cash disbursements with program receipts for each governmental program. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Consortium's general receipts.

These statements report the Consortium's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Consortium's financial health. Over time, increases or decreases in the Consortium's cash position are one indicator of whether the Consortium's financial health is improving or deteriorating.

In the statements of activities we express the Consortium's activities as governmental activities. Most of the Consortium's basic services are reported here. State and federal grants finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Consortium's Most Significant Funds**

Fund financial statements provide detailed information about the Consortium's major funds. Nonmajor funds are reported as a total in a separate column labeled "Other". The Consortium establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Consortium are all governmental funds.

**Southern Consortium for Children**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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Governmental Funds – All of the Consortium’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Consortium’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Consortium’s programs. The Consortium’s significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Consortium’s major governmental funds include the General Fund, the Runaway and Homeless Youth federal grant, the Early Childhood Mental Health Initiative (all in both years), the Rural Health Telemedicine Network federal grant (in 2004) and Rural Care (in 2005). The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Consortium as a Whole**

Table 1 provides a summary of the Consortium’s net assets for 2005 and 2004 on a modified cash basis.

(Table 1)  
**Net Assets - Modified Cash Basis**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$ 296,946	\$ 192,410
Total Assets	\$ 296,946	\$ 192,410
<b>Net Assets</b>		
Restricted for:		
Early Childhood Mental Health	\$ 53,552	\$ 81,126
Rural Care	83,343	0
Other	0	10,951
Unrestricted	160,051	100,333
<b>Total Net Assets</b>	<b>\$ 296,946</b>	<b>\$ 192,410</b>

As mentioned previously, net assets of governmental activities increased \$104,536 or 54 percent in 2005 and \$19,887 or 17 percent during 2004. The primary reasons contributing to the increases in cash balances are as follows:

- In March 2005, the Consortium absorbed the Southern Consortium for Rural Care, a regional Council of Governments, when it dissolved. This added \$83,343 to our fund balances.
- An additional block grant for \$89,300 was awarded for the Early Childhood program increasing revenue \$89,300.
- The 2005 Early Childhood Mental Health Initiative Block Grant revenue was received in late 2004, but no disbursements were made until early 2005. The grant was fully expended in 2005.
- In 2004, revenue from the Ohio Department of Mental Health exceeded expenditures. This balance was fully expended in 2005 when all the local program development funds are expended.

**Southern Consortium for Children**  
*Management's Discussion and Analysis*  
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Unaudited

Table 2 reflects the changes in net assets in 2004 to 2005. A comparative analysis is presented.

	Activities <u>2005</u>	Activities <u>2004</u>
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$ 1,414,060	\$ 1,361,407
Charges for Services and Sales	4,884	4,788
General Receipts:		
Interest	6,603	1,934
Miscellaneous	3,472	4,945
Total Receipts	<u>1,429,019</u>	<u>1,373,074</u>
Disbursements:		
Program Disbursements:		
General Government	<u>1,324,483</u>	<u>1,353,187</u>
Total Disbursements	<u>1,324,483</u>	<u>1,353,187</u>
Increase (Decrease) in Net Assets	104,536	19,887
Net Assets - January 1	<u>192,410</u>	<u>172,523</u>
Net Assets - December 31	<u>\$ 296,946</u>	<u>\$ 192,410</u>

In 2004 and 2005, program receipts from state and federal grants represented 99 percent of the Consortium's total receipts. Other receipts are insignificant and somewhat unpredictable revenue sources. Disbursements for General Government represent the overhead costs of running the Consortium and the services provided for Consortium activities. These internal services include activities such as payroll and purchasing and the costs of providing hospitalization and psychiatric services to children, operating the Time Out network for youth in the ten-county area, working with local agencies to facilitate the Early Childhood Mental Health Initiative, and installing and providing support for the Telepsychiatric Network.

**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 15, you will see that the first column lists the categories of services provided by the Consortium. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general governmental disbursements, which are described above. The next column of the Statement, entitled "Charges for Services and Sales" reflects income from the purchase of continuing education units by individuals viewing educational videos on our website, [www.cbhed.com](http://www.cbhed.com). The column entitled "Operating Grants and Contributions" identifies grants received by the Consortium that must be used to provide a specific service. The "Net (Disbursement) Receipts" column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up increasing the year-end fund balance. These net costs increase the general receipts balance which is presented at the bottom of the Statement.

**Southern Consortium for Children**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2005 and 2004*  
*Unaudited*

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A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities - Modified Cash Basis**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
General Government	\$ 1,324,483	\$ 1,353,187	\$ 94,461	\$ 13,008
<b>Total Expenses</b>	<b>\$ 1,324,483</b>	<b>\$ 1,353,187</b>	<b>\$ 94,461</b>	<b>\$ 13,008</b>

The Ohio Department of Mental Health provides base funding which accounted for 40 and 44 percent of governmental activities supported through program receipts in 2005 and 2004 respectively

**The Consortium's Funds**

In 2005 and 2004, total governmental funds had receipts of \$1,429,019 and \$1,373,074, respectively, and disbursements of \$1,324,482 and \$1,353,187. The greatest change within governmental funds in 2005 occurred within Early Childhood Fund which posted a 78% decrease, again due to the timing of receipt of funds, and in 2004 the absorption of the Rural Care Fund resulted in an 80 percent increase in fund balance. The total fund balance of the General Fund increased \$59,718 in 2005 and decreased \$10,928 in 2004 as a result of the timing of receipts and the inclusion of the Rural Care program.

**Contacting the Consortium's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Consortium's finances and to reflect the Consortium's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Barbara Kreutzer, Director of Finance and Support Services, Southern Consortium for Children, PO Box 956, Athens, Ohio 45701-0956.

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**Southern Consortium for Children**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$296,946</u>
<i>Total Assets</i>	<u><u>\$296,946</u></u>
<b>Net Assets</b>	
Restricted for:	
Rural Care	\$83,343
Early Childhood Mental Health	53,552
Unrestricted	<u>160,051</u>
<i>Total Net Assets</i>	<u><u>\$296,946</u></u>

See accompanying notes to the basic financial statements

**Southern Consortium for Children**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2005*

	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Receipts and Changes in Net Assets</u>
				<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General Government	\$453,116	\$4,884	\$513,156	\$64,924
Rural Care	184,824		257,347	72,523
Runaway and Homeless Youth	131,147		131,147	0
Early Childhood Mental Health Initiative	375,443		347,869	(27,574)
Other	179,953		164,541	(15,412)
<i>Total Governmental Activities</i>	<u>\$1,324,483</u>	<u>\$4,884</u>	<u>\$1,414,060</u>	<u>94,461</u>
		<b>General Receipts</b>		
		Interest		6,603
		Miscellaneous		<u>3,472</u>
		<i>Total General Receipts</i>		<u>10,075</u>
		Change in Net Assets		104,536
		<i>Net Assets Beginning of Year</i>		<u>192,410</u>
		<i>Net Assets End of Year</i>		<u>\$296,946</u>

See accompanying notes to the basic financial statements

**Southern Consortium for Children**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Rural Care	Runaway and Homeless Youth	Early Childhood	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$160,051	\$83,343		\$53,552		\$296,946
<i>Total Assets</i>	<u>\$160,051</u>	<u>\$83,343</u>	<u>\$0</u>	<u>\$53,552</u>	<u>\$0</u>	<u>\$296,946</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for GJV ADAMH		\$25,584				\$25,584
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$160,051					160,051
Special Revenue Funds		57,759		\$53,552		111,311
<i>Total Fund Balances</i>	<u>\$160,051</u>	<u>\$83,343</u>	<u>\$0</u>	<u>\$53,552</u>	<u>\$0</u>	<u>\$296,946</u>

See accompanying notes to the basic financial statements

**Southern Consortium for Children**  
*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Rural Care	Runaway and Homeless Youth	Early Childhood	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Intergovernmental	\$556,730	\$125,023	\$131,147	\$347,869	\$120,967	\$1,281,736
Investment Income	6,603					6,603
Workshops	4,884					4,884
Miscellaneous	3,472					3,472
<i>Total Receipts</i>	<u>571,689</u>	<u>125,023</u>	<u>131,147</u>	<u>347,869</u>	<u>120,967</u>	<u>1,296,695</u>
<b>Disbursements</b>						
Salaries	212,273	2,337	24,466	11,204	29,364	279,644
Fringe	80,890	894	7,449	4,789	11,716	105,738
Administrative Compensation		907				907
Travel	12,295	43	2,328		3,004	17,670
Rent	13,750	(1,088)		522		13,184
Telephone	2,735		386		71	3,192
Equipment	9,159				5,068	14,227
Supplies	23,340			79,621	55	103,016
Legal	1,008					1,008
Audit		1,768				1,768
Insurance	3,802					3,802
MACSIS Collaborative Development		12,241				12,241
Training and Consultation	23,268			9,009		32,277
Research and Development	(2,677)					(2,677)
Hospital In-Patient	20,185					20,185
Outpatient Evaluations	9,330					9,330
ALS, AHV, GJM, Wash. LPD	99,938					99,938
ALS, AHV, Wash Detox		122,400				122,400
AHV, GJM, Wash Forensic Monitoring		44,032				44,032
Public Relations and Marketing			2,222			2,222
Continuous Quality Improvement		1,290	94,296			95,586
Contract Agencies	472			270,298	74,023	344,793
<i>Total Disbursements</i>	<u>509,768</u>	<u>184,824</u>	<u>131,147</u>	<u>375,443</u>	<u>123,301</u>	<u>1,324,483</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>61,921</u>	<u>(59,801)</u>	<u>0</u>	<u>(27,574)</u>	<u>(2,334)</u>	<u>(27,788)</u>
<b>Other Financing Sources (Uses)</b>						
Cash Transferred from Southern Consortium for Rural Care for Closeout		132,324				132,324
Transfers In	7,060					7,060
Advance In	11,432	18,323		2,291	81	32,127
Transfers Out					(7,060)	(7,060)
Advance Out	(20,695)	(9,060)		(2,291)	(81)	(32,127)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,203)</u>	<u>141,587</u>	<u>0</u>	<u>0</u>	<u>(7,060)</u>	<u>132,324</u>
<i>Net Change in Fund Balances</i>	59,718	81,786	0	(27,574)	(9,394)	104,536
<i>Fund Balances Beginning of Year</i>	100,333	1,557	0	81,126	9,394	192,410
<i>Fund Balances End of Year</i>	<u>\$160,051</u>	<u>\$83,343</u>	<u>\$0</u>	<u>\$53,552</u>	<u>\$0</u>	<u>\$296,946</u>

See accompanying notes to the basic financial statements

**Southern Consortium for Children**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2004*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$192,410</u>
<i>Total Assets</i>	<u><u>\$192,410</u></u>
<b>Net Assets</b>	
Restricted for:	
Early Childhood Mental Health	\$81,126
Other	10,951
Unrestricted	<u>100,333</u>
<i>Total Net Assets</i>	<u><u>\$192,410</u></u>

See accompanying notes to the basic financial statements

**Southern Consortium for Children**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2004*

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$514,363	\$4,788	\$490,011	(\$19,564)
Rural Health Telemedicine Network	242,553		242,553	0
Runaway and Homeless Youth	121,918		121,918	0
Early Childhood Mental Health Initiative	297,876		318,000	20,124
Other	176,477		188,925	12,448
<i>Total Governmental Activities</i>	<u>\$1,353,187</u>	<u>\$4,788</u>	<u>\$1,361,407</u>	<u>13,008</u>
		<b>General Receipts</b>		
				1,934
				4,945
				<u>6,879</u>
				19,887
				<u>172,523</u>
				<u>\$192,410</u>

See accompanying notes to the basic financial statements

**Southern Consortium for Children**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2004

	General	Rural Health Telemedicine	Runaway and Homeless Youth	Early Childhood	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$100,333			\$81,126	\$10,951	\$192,410
<i>Total Assets</i>	<u>\$100,333</u>	<u>\$0</u>	<u>\$0</u>	<u>\$81,126</u>	<u>\$10,951</u>	<u>\$192,410</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$100,333					\$100,333
Special Revenue Funds				\$81,126	\$10,951	92,077
<i>Total Fund Balances</i>	<u>\$100,333</u>	<u>\$0</u>	<u>\$0</u>	<u>\$81,126</u>	<u>\$10,951</u>	<u>\$192,410</u>

See accompanying notes to the basic financial statements

**Southern Consortium for Children**  
*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2004

	General	Rural Health Telemedicine	Runaway and Homeless Youth	Early Childhood	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Intergovernmental	\$584,897	\$242,553	\$121,918	\$318,000	\$84,190	\$1,351,558
Investment Income	1,934					1,934
Workshops	4,788					4,788
Miscellaneous	4,945				9,849	14,794
<i>Total Receipts</i>	<u>596,564</u>	<u>242,553</u>	<u>121,918</u>	<u>318,000</u>	<u>94,039</u>	<u>1,373,074</u>
<b>Disbursements</b>						
Salaries	210,826	14,283	19,586	13,401	19,293	277,389
Fringe	71,295	5,872	4,888	6,059	7,053	95,167
Travel	11,874	4,864	1,772	1,254	300	20,064
Rent	16,250					16,250
Telephone	5,709		248		128	6,085
Equipment	20,825					20,825
Supplies	13,542	380			8,542	22,464
Legal	445					445
Audit	9,886					9,886
Insurance	4,332					4,332
Utilities and Cleaning	1,925					1,925
Other Office	21,954				1,385	23,339
Training and Consultation	2,117			14,653	9,456	26,226
Research and Development	1,481					1,481
Hospital In-Patient	56,745					56,745
Outpatient Evaluations	11,023					11,023
ALS, AHV, GJM, Wash. LPD	111,624					111,624
Public Relations and Marketing	1,722		3,004		694	5,420
Contract Agencies	27,099	217,154	92,420	262,509	43,315	642,497
<i>Total Disbursements</i>	<u>600,674</u>	<u>242,553</u>	<u>121,918</u>	<u>297,876</u>	<u>90,166</u>	<u>1,353,187</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,110)</u>	<u>0</u>	<u>0</u>	<u>20,124</u>	<u>3,873</u>	<u>19,887</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In					16,667	16,667
Advance In	34,486			27,407	7,082	68,975
Transfers Out	(16,667)					(16,667)
Advance Out	(34,486)			(27,407)	(7,082)	(68,975)
Advances-In (Prior Repayment)	9,849					9,849
Advance Out (Prior Repayment)					(9,849)	(9,849)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,818)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,818</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(10,928)	0	0	20,124	10,691	19,887
<i>Fund Balances Beginning of Year</i>	<u>111,261</u>	<u>0</u>	<u>0</u>	<u>61,002</u>	<u>260</u>	<u>172,523</u>
<i>Fund Balances End of Year</i>	<u>\$100,333</u>	<u>\$0</u>	<u>\$0</u>	<u>\$81,126</u>	<u>\$10,951</u>	<u>\$192,410</u>

See accompanying notes to the basic financial statements

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 1 - Reporting Entity**

The Southern Consortium for Children, Athens County, Ohio (the Consortium), is a Regional Council of Governments, authorized by Chapter 167 of the Ohio Revised Code. The Consortium serves as a program planning, development and coordination arm of four (4) Alcohol, Drug Addiction and Mental Health Services Boards (Athens-Hocking-Vinton, Gallia-Jackson-Meigs, Adams-Lawrence-Scioto, and Washington Counties) for youth who are severely emotionally disturbed (SED).

The Consortium is an outcome of Ohio's Mental Health Act of 1988, which put into motion an expansion of the decentralization of the state's mental health system, providing local communities more control over service delivery to the SED population. Direct funding is received from the Ohio Department of Mental Health (ODMH). ODMH funding was derived through the closure of a children's psychiatric hospital whose operating budget was distributed, on a per capita basis, to the counties which historically had admitting privileges.

The Consortium operates under an appointed four (4) member board, consisting of the Executive Director of each of the above mentioned Alcohol, Drug Addiction and Mental Health Services Boards, and is responsible for planning, developing, implementing, maintaining, and monitoring children's mental health service programs within the service district.

The Consortium's management believes the basic financial statements present all activities for which the Consortium is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Consortium's accounting policies.

**A. Basis of Presentation**

The Consortium's basic financial statements consist of government-wide financial statements, including a statement of activities and a statement of net assets, and fund financial statements which provide a more detailed level of financial information.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**Government-Wide Financial Statements**

The statement of net assets – modified cash basis displays information about the Consortium as a whole. The statement of activities – modified cash basis compares disbursements with program receipts for each function or program of the Consortium. These statements include the financial activities of the primary government. Governmental activities generally are financed through intergovernmental receipts or other non-exchange transactions. The statement of activities presents the cash balance of the governmental activities of the Consortium at year end and compares disbursements and program receipts for each program or function of the Consortium’s governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Consortium is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational requirements of a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the Consortium, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a modified cash basis or draws from the general receipts of the Consortium.

**Fund Financial Statements**

During the year, the Consortium segregates transactions related to certain Consortium functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Consortium at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Consortium uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Consortium are all governmental.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Consortium are financed. The following are the Consortium’s major governmental funds

**General Fund** - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Consortium for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Runaway and Homeless Youth (TimeOut) Fund** – This fund receives grant money from the Department of Health and Human Services, Administration for Children and Families, to provide host home facilities for children.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Rural Health Telemedicine Fund (OAT)– This fund receives grant money from the Department of Health and Human Services, Health Resources and Services Administration for the development of a telemedicine network.

Early Childhood Fund (ECMHI) Fund - This fund receives grant money from the Ohio Department of Mental Health to provide mental health services for children participating in the Head Start Program.

Rural Care Fund – This fund receives money from the four participating Alcohol, Drug Addiction and Mental Health Services Boards to fund detoxification programs for adults, forensic monitoring, and to support collaborative development for MACSIS among the four participating boards.

The other governmental funds of the Consortium account for grants and other resources whose use is restricted for a particular purpose.

**C. Basis of Accounting**

The Consortium’s financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Consortium’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Consortium are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

The Consortium prepares its annual operating budget under the provisions of the Ohio Administrative Code on a fund-by-fund basis. In accordance with those provisions, the following process is used to adopt the annual budgets:

1. Prior to June 1, the Executive Director submits to the Board a proposed operating budget for the Ohio Department of Mental Health Fund and the Early Childhood Mental Health Initiative, both of which operate on a July-to-June fiscal year. Prior to August 1, the Executive Director submits to the Executive Board a proposed operating budget for the Rural Health Telemedicine Grant which operates on a September-to-August federal fiscal year. Prior to September 1, the Executive Director submits to the Executive Board a proposed operating budget for the Runaway and Homeless Youth grant which operates on an October-to-September federal fiscal year. Expenditures from the Special Projects fund require Board approval and occur on a project-by-project basis.
2. The Board adopts the Proposed Budget by resolution.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

All transfers of appropriations between funds and between object categories require Board approval. Advances between funds require the approval of the Executive Director.

The budgets are prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

Revenue from interest earned, sale of the Ohio Scales assessment tool, and workshop fees are reported in Special Projects. Because total revenue from workshop fees is not considered material, a proprietary fund has not been established to report revenue and expenditures separately. All advances originate in Special Projects with approval of the Executive Director. As of December 31, 2005, outstanding advances were \$9,263 and there were no advances outstanding as of December 31, 2004.

All funds are legally required to be budgeted and appropriated. A budget is prepared for each fund on the budgetary basis of accounting. The legal level of control has been established by the Executive Board at the fund level for all funds. The Consortium is not subject to Ohio Revised Code Chapter 5705. Consequently, an entity-wide fund by fund budget is not prepared. Budgets are prepared for the grant period, rather than calendar year. As such, budget to actual comparisons are not included in this report.

**E. Cash and Investments**

To improve cash management, cash received by the Consortium is pooled and invested. Individual fund integrity is maintained through Consortium records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2004 and 2005, the Consortium invested in STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2005 and 2004.

Interest earnings are allocated to Consortium funds according to State statutes. Interest receipts credited to the General Fund during 2004 were \$1,934 and during 2005, \$6,603.

**F. Inventory and Prepaid Items**

The Consortium reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**H. Interfund Receivables/Payables**

The Consortium reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Consortium's modified cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Consortium recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving various mental health services, funding set aside for use by one of the contribution ADAMHS boards, and match required by federal grants. The Consortium's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**L. Fund Balance Reserves**

The Consortium reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. With the absorption of the Southern Consortium for Rural Care in March 2005 came a reserved fund balance of \$25,584 set aside by the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction, and Mental Health Services Board. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for unclaimed monies, advances and encumbrances.

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 3 – Change in Accounting Principles**

Last year, the Consortium reported fund financial statements by fund type using the regulatory basis of accounting as prescribed or permitted by the Auditor of State. Beginning in 2004, Consortium has implemented an other comprehensive basis of accounting, based upon the presentation model reflected in Governmental Accounting Standards Board Statement Number 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.” The basic financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2005 and 2004, the Consortium has implemented GASB Statement No. 40 “Deposit and Investment Risk Disclosures” and GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation.” GASB Statement No. 40 describes the responsibility of governments to provide credit rating information on their investments. GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of GASB Statement No. 40 and GASB Statement No. 46 had no effect on the Consortium’s financial statements for fiscal years 2005 and 2004.

**Note 4 - Budgetary Basis of Accounting**

The Consortium is not required by Ohio Revised Code Chapter 5705 to adopt an entity-wide budget. Consequently, budget to actual comparisons are not included in this report.

**Note 5 - Deposits and Investments**

Monies held by the Consortium are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the Consortium treasury. Active monies must be maintained either as cash in the Consortium treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the Consortium which are not considered active are classified as inactive. Beginning June 15, 2004, inactive monies could be deposited or invested with certain limitations in the following securities provided the Consortium has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 5 - Deposits and Investments** (continued)

6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAROhio);

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the Consortium. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Consortium will not be able to recover deposits or collateral securities that are in the possession of an outside party. At the end of 2004, \$5,790 of the Consortium's bank balance of \$105,790 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Consortium's name. At the end of 2005 there was no risk as the Consortium's bank balance was \$27,231.

The Consortium has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Consortium or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Consortium's investment policy addresses interest rate risk by requiring that the Consortium's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

As of December 31, 2005 and 2004, the Consortium had an investment in STAROhio. The carrying and fair value of this investment was \$133,454 and \$275,335, respectively, with an average maturity of sixty days. This investment is in an internal investment pool.

STAROhio carries a rating of AAAM by Standard and Poor's. The Consortium has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 5 - Deposits and Investments** (continued)

For an investment custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Consortium has no investment policy dealing with investment custodial risk beyond the requirements in Ohio Rev. Code Section 135.35(J)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Note 6 - Risk Management**

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004 and through August of 2005, the Consortium contracted with Barengo Insurance Agency, Inc. for coverage through Philadelphia Insurance Companies. Beginning in August of 2005, Franchise Insurance Agency, Inc. began insuring the Consortium, also providing coverage through Philadelphia Insurance Companies. Both the Barengo and Franchise policies had a \$1,000 deductible. Coverage provided by both agencies was as follows:

Directors and Officers Liability	\$2,000,000
Employment Practices Liability	\$2,000,000
Aggregate Limit, All Parts	\$2,000,000

With the exceptions of medical coverage, dental coverage, and worker's compensation, insurance was held with Barengo through August of 2005 and with Franchise from that point forward. There has been no significant reduction in insurance coverage from 2004 or 2005, although there was some realignment, and there have been no claims in the past three years.

For 2004, the Consortium participated in the Ohio Rural Water Association, a workers' compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating entities calculated as one experience and a common premium rate is applied to all entities in the Plan. Each entity pays its workers' compensation premium to the State based on the rate for the Plan rather than the Consortium's individual rate.

In order to allocate the savings derived by the formation of the Plan and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year the Consortium pays an enrollment fee to the Plan to cover the costs of administering the program.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 6 - Risk Management** (continued)

The Consortium may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the Consortium is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any entity leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The Consortium provides employee medical coverage through Medical Mutual of Ohio and employee dental coverage through Medical Benefits Companies. The Consortium pays all but \$1 of each employee's premium.

**Note 7 - Defined Benefit Pension Plan**

**Ohio Public Employees Retirement System**

The Consortium participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the years ended December 31, 2005 and 2004, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The Consortium's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Consortium's required contribution for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$37,955, \$37,407, and \$33,563 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 8 - Postemployment Benefits**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4 percent annually. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$580,250 (the latest information available). The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2004, with no prior service credit accumulated toward health care coverage. The Choices Plan will incorporate a cafeteria approach offering a broader range of health care options. The Choices Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Choices Plan will also offer a spending account feature enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

**Southern Consortium for Children**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 9 - Interfund Transfers**

During 2005 and 2004, transfers were made. One transfer was approved in 2004 from unrestricted receipts collected in the General Fund to the Runaway and Homeless Youth grant program to meet match requirements required by the grant in accordance with budgetary authorizations. In 2004, the cash match total of \$16,667 was allocated to provide additional respite days for youth as well as an 800 telephone number for teens to call; in 2005 \$7,060 was transferred back to the General Fund, and in-kind match was provided to the grant by the Bookkeeper and the Fiscal Officer. All transfers were approved by the Executive Board.

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Consortium are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**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 Children  
Athens County  
20 East Circle Drive, Unit 37206  
Athens, Ohio 45701

To the Board of Directors:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Consortium for Children, Athens County, Ohio (the Consortium) as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Consortium's basic financial statements and have issued our report thereon dated April 5, 2006, wherein we noted the Consortium revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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 basic financial statements 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 statements 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 material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the Consortium's basic financial statements are 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 or other matters we must report under *Government Auditing Standards*.

Southern Consortium for Children  
Athens County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Governmental Auditing Standards  
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Directors. 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

April 5, 2006



**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 CHILDREN**

**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  
MAY 30, 2006**