

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS  
ROSS COUNTY**

**REGULAR AUDIT**

**YEARS ENDED DECEMBER 31, 2011 & 2010**



*Whited Seigneur Sams & Rabe, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

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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 Auditors' Report* of the Southern Ohio Council of Governments, Ross County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southern Ohio Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 21, 2012

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**SOUTHERN OHIO COUNCIL OF GOVERNMENTS  
ROSS COUNTY, OHIO  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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April 27, 2012

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

## Independent Auditors' Report

We have audited the accompanying financial statements of Southern Ohio Council of Governments, Ross County, Ohio, (the Council) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of the State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Council to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Council as of December 31, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 1, during 2010 the Council adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2012, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

A handwritten signature in cursive script that reads "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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Receipts:</b>		
Charges for Services	\$ 760,496	\$ 872,844
Intergovernmental	1,169,856	-
Earnings on Investments	5,379	1,623
Other Revenue	<u>1,242</u>	<u>221</u>
Total Cash Receipts	<u>1,936,973</u>	<u>874,688</u>
<b>Cash Disbursements:</b>		
Wages and Benefits	680,518	703,774
Purchased Services	20,378	6,862
Supplies and Materials	10,160	7,620
Rent	18,118	18,456
Travel and Training	26,948	19,290
Equipment	1,624	14,781
Miscellaneous	<u>96,365</u>	<u>47,677</u>
Total Cash Disbursements	<u>854,111</u>	<u>818,460</u>
Total Cash Receipts Over Cash Disbursements	1,082,862	56,228
Fund Cash Balances, January 1	<u>181,392</u>	<u>125,164</u>
Fund Cash Balances, December 31		
Unassigned	<u>1,264,254</u>	<u>181,392</u>
Fund Cash Balances, December 31	<u>\$ 1,264,254</u>	<u>\$ 181,392</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, 2011 and 2010**

	<b>Agency</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating Cash Disbursements:</b>		
Purchased Services	\$ 2,291,392	\$ 1,708,622
Supplies and Materials	57,247	68,251
Other	1,811	13,756
	<u>2,350,450</u>	<u>1,790,629</u>
Total Operating Cash Disbursements		
	<u>2,350,450</u>	<u>1,790,629</u>
Operating Income/(Loss)	<u>(2,350,450)</u>	<u>(1,790,629)</u>
<b>Non-Operating Cash Receipts:</b>		
Intergovernmental	1,873,990	2,356,302
Miscellaneous Receipts	56,069	-
Earnings on Investments	287,437	214,969
Gain (Loss) on Sale of Investments	56,732	(690)
	<u>2,274,228</u>	<u>2,570,581</u>
Total Non-Operating Cash Receipts		
	<u>2,274,228</u>	<u>2,570,581</u>
Excess of Receipts Over/(Under) Disbursements	<u>(76,222)</u>	<u>779,952</u>
Fund Cash Balances, January 1	<u>6,547,933</u>	<u>5,767,981</u>
Fund Cash Balances, December 31	<u>\$ 6,471,711</u>	<u>\$ 6,547,933</u>

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, 2011 and 2010**

**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, 2011 and 2010**

**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**

For December 31, 2011, 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, 2011 and 2010**

**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 at December 31 was as follows:

	2011	2010
Money Market	\$ 3,071,718	\$ 2,769,211
Total Deposits	3,071,718	2,769,211
Preferred Stocks and Bonds	4,664,247	3,960,114
Total Investments	4,664,247	3,960,114
Total Deposits and Investments	\$ 7,735,965	\$ 6,729,325

The fair market value of investments was \$4,571,885 and \$3,925,942 at December 31, 2011 and 2010, respectively.

**Note 3 – Retirement System**

The Council's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

**Note 3 – Retirement System (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For both 2011 and 2010, members of OPERS contributed 10% of their gross salaries. The Council contributed an amount equal to 14% in 2011 and 2010 of participants' gross salaries. The Council has paid all contributions required through December 31, 2011.

**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.

**Note 5 – Operating Lease**

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

	Copier	Office Space	Total
2012	\$ 3,999	\$ 15,240	\$ 19,239
2013	3,999	6,350	10,349
2014	3,999	-	3,999
2015	3,665	-	3,665
2016	-	-	-
Thereafter	\$ 15,661	\$ 21,590	\$ 37,251

**Note 8- Long Term Obligation**

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

2012	\$ 4,028
2013	3,852
2014	3,501
	\$11,381

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

**Note 9- Risk Management**

**Commercial Insurance**

The Council has obtained commercial insurance for the following risks:

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

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

**Note 10- Concentration of Risks**

The Council maintains its cash balances at Merrill Lynch, a U.S.-registered broker-dealer. The Council's accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of Merrill Lynch's financial failure. If a U.S. broker-dealer fails, SIPC funds are available to clients to make up for any shortfall in client assets that the broker-dealer was required to maintain- up to a maximum of \$500,000 per client for securities, and inclusive of up to \$100,000 per client for cash.

Merrill Lynch has obtained private insurance coverage from Lloyd's of London to provide additional protection for client accounts in excess of SIPC limits. For customers who have received the full SIPC limits, further protection (including up to \$1.9 million for cash) is provided by the Lloyd's policy, subject to an aggregate loss limit of \$600 million for all customer claims.

SIPC and excess-SIPC protection does not protect against investment losses from market action.

**Note 11- 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 12- Subsequent Events**

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through April 27, 2012, the date the financial statements were available to be issued.

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# Whited Seigneur Sams & Rahe, LLP

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April 27, 2012

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

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards**

We have audited the accompanying financial statements of Southern Ohio Council of Governments, Ross County, Ohio (the Council) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated April 27, 2012, wherein we noted the Council followed accounting practices prescribed or permitted by the Auditor of State rather than accounting principles generally accepted in the United States of America and the Council adopted Governmental Accounting Standards Board Statement No. 54 in 2010. 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 Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Council in a separate letter dated April 27, 2012.

This report is intended solely for the information and use of the finance committee, management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

*Whited Seigneur Sams & Rahe*



# Dave Yost • Auditor of State

**SOUTHERN OHIO COUNCIL OF GOVERNMENT**

**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  
JULY 03, 2012**