

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

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



Mary Taylor, CPA

Auditor of State

Board of Directors
Licking Richland Council of Governments
314 Cleveland Avenue
Mansfield, Ohio 44902

We have reviewed the *Report of Independent Accountants* of the Licking Richland Council of Governments, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. 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 Governments is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 27, 2007

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**LICKING/RICHLAND COUNCIL OF GOVERNMENTS
RICHLAND COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2006 & 2005**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the Licking/Richland Council of Governments, Richland County, Ohio (the COG), as of and for the years ended December 31, 2006 and 2005. 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 years ended December 31, 2006 and 2005. 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 years ended December 31, 2006 and 2005, 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, 2006 and 2005, 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 Licking/Richland Council of Governments, Richland County, as of December 31, 2006 and 2005, 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 years ended December 31, 2006 and 2005. 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 August 16, 2007, 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.

August 16, 2007

**LICKING/RICHLAND COUNCIL OF GOVERNMENTS
 RICHLAND COUNTY, OHIO
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 For the Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Receipts:		
Intergovernmental	\$ 1,729,679	\$ 1,145,714
Earnings of Investments	312,546	164,973
	<hr/>	<hr/>
Total Receipts	2,042,225	1,310,687
Disbursements:		
Contractual Services	246,934	542,107
Supplies	1,198,756	133,813
	<hr/>	<hr/>
Total Disbursements	1,445,690	675,920
Total Receipts Over/(Under) Disbursements	596,535	634,767
Fund Balance, January 1	<u>6,036,445</u>	<u>5,401,678</u>
Fund Balance, December 31	<u><u>\$ 6,632,980</u></u>	<u><u>\$ 6,036,445</u></u>

See Accompanying Notes to the Financial Statements.

LICKING/RICHLAND COUNCIL OF GOVERNMENTS
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Licking/Richland Council of Governments, 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 home maker, 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. FUND ACCOUNTING

The COG maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The following is the only fund of the COG:

Governmental Fund Type:

General Fund: The general operating fund of the COG. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**LICKING/RICHLAND COUNCIL OF GOVERNMENTS
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. 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.

E. 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.

F. 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>2006</u>	<u>2005</u>
Demand Deposits	\$3,169,502	\$ 1,033,289
STAR Ohio	<u>3,463,478</u>	<u>5,003,156</u>
Total Deposits and Investments	<u>\$6,632,980</u>	<u>\$6,036,445</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.

**LICKING/RICHLAND COUNCIL OF GOVERNMENTS
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2006 and 2005**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Estimated vs. Actual Receipts		
Estimated Receipts	Actual Receipts	Variance
\$ -	\$ 2,042,225	\$ 2,042,225

2006 Estimated vs. Actual Disbursements		
Estimated Disbursements	Actual Disbursements	Variance
\$1,618,462	\$ 1,445,690	\$ 172,772

2005 Estimated vs. Actual Receipts		
Estimated Receipts	Actual Receipts	Variance
\$ -	\$ 1,310,687	\$ 854,792

2005 Estimated vs. Actual Disbursements		
Estimated Disbursements	Actual Disbursements	Variance
\$1,127,933	\$ 675,920	\$ 452,013

4. RISK MANAGEMENT

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

Settled claims did not exceed insurance coverage for the past three fiscal years. The COG has not reduced coverages from the prior year.

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 COG has free use of office space owned by Richland County.

6. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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

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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 Governments
Richland County
314 Cleveland Avenue
Mansfield, Ohio 44902

To the Board of Directors:

We have audited the financial statements of the Licking/Richland Council of Governments, Richland County, Ohio (the COG), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 16, 2007, 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 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 COG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the COG's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the COG's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State such that there is more than a remote likelihood that a misstatement of the COG's financial statements that is more than inconsequential will not be prevented or detected by the COG's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the COG's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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 audit committee, 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.

August 16, 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2004 and 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

LICKING RICHLAND COUNCIL OF GOVERNMENTS

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
OCTOBER 9, 2007**