



Dave Yost • Auditor of State

MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Muskingum Families and Children First Council
Muskingum County
333 Putnam Avenue
Zanesville, Ohio 43701

To the Members of the Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Families and Children First Council, Muskingum County, Ohio (the Council), as of and for the year ended December 31, 2011, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council'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 2, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Families and Children First Council, Muskingum County, Ohio, as of December 31, 2011, and the respective changes in cash financial position for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 2, during 2011 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 October 31, 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.

We conducted our audit to opine of the Council's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

Dave Yost
Auditor of State

October 31, 2012

Muskingum Families and Children First Council
Muskingum County

Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The discussion and analysis of the Muskingum Families and Children First Council's (the Council's) financial performance provides an overall review of the Council's financial activities for the year ended December 31, 2011, within the limitations of the Council's cash basis of accounting. The intent of this discussion and analysis is to look at the Council's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for the year 2011 are as follows:

- Net assets increased \$3,504. There was an increase in the grant award for Family and System Team grant in 2011.
- Program specific receipts in the form of charges for services and intergovernmental operating grants and contributions comprise approximately 4% and 96% of the Council's receipts.
- The Council had \$611,689 in disbursements during 2011. Contract Services, Salaries and Benefits and Other Expense each accounted for 9%, 62%, and 15% of disbursements, respectively.

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 Council's cash basis of accounting.

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Council, presenting both an aggregate view of the Council's finances. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Council 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.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Council has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

Under the Council's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Muskingum Families and Children First Council
Muskingum County

Management's Discussion and Analysis
For the Year Ended December 31, 2011
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As a result of using the 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 cash basis of accounting.

Reporting the Council as a Whole

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis reflect how the Council did financially during 2011, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balances of the governmental activities of the Council at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Council's general receipts.

These statements report the Council's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Council's financial health. Over time, increases or decreases in the Council's cash position is one indicator of whether the Council's financial health is improving or deteriorating. When evaluating the Council's financial condition, you should also consider other non-financial factors as well, such as the reliance on non-local financial resources for operations and the need for continued growth.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis present governmental activities, which include all the Council's services. The Council has no business-type activities.

Reporting the Council's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Council's major funds – not the Council as a whole. The Council 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. All of the operating funds of the Council are governmental.

Governmental Funds - The Council's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Council's governmental operations and the services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Council's programs. The Council'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 Council's major governmental funds are the General Fund, Help Me Grow ARRA Grant Fund, Help Me Grow Subsidy Grant Fund, Help Me Grow Part C Grant Fund and Creative Options Grant Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Muskingum Families and Children First Council
Muskingum County**

Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The Council as a Whole

Table 1 provides a summary of the Council's net assets for 2011 compared to 2010 on a cash basis:

**Table 1
Net Assets – Cash Basis**

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$419,654</u>	<u>\$416,150</u>	<u>\$3,504</u>
Total Assets	<u>419,654</u>	<u>416,150</u>	<u>3,504</u>
Net Assets			
Restricted	315,295	295,456	19,839
Unrestricted	<u>104,359</u>	<u>120,694</u>	<u>(16,335)</u>
Total Net Assets	<u><u>\$419,654</u></u>	<u><u>\$416,150</u></u>	<u><u>\$3,504</u></u>

As mentioned previously, net assets increased \$3,504. There was an increase in the grant award for the Family and System Team grant.

Table 2 reflects the change in net assets in 2011 compared to fiscal year 2010.

Muskingum Families and Children First Council
Muskingum County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Receipts			
Program Cash Receipts			
Intergovernmental	\$561,202	\$602,754	(\$41,552)
Charges for Services	27,496	67,893	(40,397)
Gifts and Contributions	26,495	50,353	(23,858)
Total Program Receipts	615,193	721,000	(105,807)
Total Receipts	615,193	721,000	(105,807)
Disbursements			
Current:			
Salary and Benefits	376,619	433,359	(56,740)
Travel & Training	64,042	18,629	45,413
Contract Services	53,763	74,747	(20,984)
Printing/Advertising	2,124	5,396	(3,272)
Supplies	13,766	23,893	(10,127)
Equipment	1,925	6,621	(4,696)
Repairs/Maintenance	2,339	1,525	814
Audit	4,858	5,548	(690)
Other	92,253	166,611	(74,358)
Total Disbursements	611,689	736,329	(124,640)
Change in Net Assets	3,504	(15,329)	18,833
Fund Balances Beginning of Year	416,150	431,479	(15,329)
Fund Balances End of Year	\$419,654	\$416,150	\$3,504

In 2011 and 2010, approximately 91% and 84% of the Council's total receipts were from intergovernmental receipts. This revenue is primarily comprised of contributions from local public entities, state and federal grants.

The 2011 disbursements for Contract Services, Salaries and Benefits and Other each accounted for approximately 9%, 62%, and 15% of disbursements, respectively. The 2010 disbursements for Contract Services, Salaries and Benefits and Other each accounted for 10%, 59% and 23% of disbursements, respectively. The Salaries and Benefits decrease was due to an employee changing county agencies and becoming a contract with that agency.

**Muskingum Families and Children First Council
Muskingum County**

Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Governmental Activities

If you look at the Statement of Activities – Cash Basis, you will see that the first column lists the major services provided by the Council. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for the Help Me Grow programs, which account for 64% of all governmental disbursements. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Council that must be used to provide a specific service. The net cost column compares the program receipts to the cost of the service. This “net cost” represents the cost of the service which ends up being paid from money provided by the activity and donations.

Table 3 reflects the total cost of services and the net cost by program for 2011 and 2010.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Help Me Grow	\$391,002	\$482,142	\$9,108	(\$37,908)
Community Health Services	112,308	136,892	38,572	10,003
Administration	108,379	117,295	(44,176)	12,576
Totals	\$611,689	\$736,329	\$3,504	(\$15,329)

The Council's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The focus of the Council's governmental funds is to provide information on receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Council's net resources available for spending at the end of the year.

At the end of 2011, the Council's governmental funds reported total ending fund balances of \$419,654. \$104,055 of the total is unassigned fund balance, which is available for new spending. The remainder of fund balance is restricted or assigned to indicate it is not available for new spending.

The General Fund is the chief operating fund of the Council. At the end of 2011, unassigned fund balance in the General Fund was \$104,055. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 97% of the total general fund expenditures.

Disbursements exceeded receipts in the General Fund by \$43,485 in 2011. Charges for services and gifts and contributions account for 75% of revenues in the General Fund.

**Muskingum Families and Children First Council
Muskingum County**

Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Help Me Grow ARRA Fund - This fund receives federal grant funds and will be used to retain two jobs within Muskingum County Help Me Grow program. This will allow us to provide Help Me Grow Part C services to the families and children in Muskingum County under the governance of the Family and Children First Council. At the end of 2011 the total fund balance was \$0.

Help Me Grow Subsidy Grant Fund - This fund receives state grant funds to be used for families with children ages birth to three years and pregnant women who are at risk for abuse, neglect, or developmental delay. At the end of 2011 the total fund balance was \$161,511.

Help Me Grow Part C Grant Fund - This fund receives federal grant funds to be used for families with disabled children ages birth to three years. At the end of 2011 the total fund balance was \$14,883.

Creative Options Grant Fund – This fund receives state grant monies and donations to be used to provide youth and family services in an effort to help maintain families as a unit. At the end of 2011, the total fund balance was \$135,399.

Contacting the Council's Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Council's finances and to reflect the Council's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Thasia Schilling, Muskingum Families and Children First Council, 333 Putman Avenue, Zanesville, Ohio 43701, (740) 454-9993.

Muskingum Families and Children First Council

Muskingum County

Statement of Net Assets - Cash Basis

December 31, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$419,654</u>
<i>Total Assets</i>	<u><u>\$419,654</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$315,295
Unrestricted	<u>104,359</u>
<i>Total Net Assets</i>	<u><u>\$419,654</u></u>

See accompanying notes to the basic financial statements

Muskingum Families and Children First Council

Muskingum County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2011

	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Help Me Grow	\$391,002	\$329	\$399,781	\$9,108
Community Health Services	112,308	5,209	145,671	38,572
Administration	108,379	21,958	42,245	(44,176)
<i>Total Governmental Activities</i>	<u>\$611,689</u>	<u>\$27,496</u>	<u>\$587,697</u>	<u>3,504</u>
Change in Net Assets				3,504
<i>Net Assets Beginning of Year</i>				<u>416,150</u>
<i>Net Assets End of Year</i>				<u><u>\$419,654</u></u>

See accompanying notes to the basic financial statements

Muskingum Families and Children First Council
Muskingum County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2011

	General	Help Me Grow ARRA Grant	Help Me Grow Subsidy Grant	Help Me Grow Part C Grant	Creative Options Grant	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$104,359	\$0	\$161,511	\$14,883	\$135,399	\$3,502	\$419,654
<i>Total Assets</i>	<u>\$104,359</u>	<u>\$0</u>	<u>\$161,511</u>	<u>\$14,883</u>	<u>\$135,399</u>	<u>\$3,502</u>	<u>\$419,654</u>
Fund Balances							
Restricted			\$161,511	\$14,883		\$3,502	\$179,896
Assigned	\$304				\$135,399		135,703
Unassigned (Deficit)	104,055						104,055
<i>Total Fund Balances</i>	<u>\$104,359</u>	<u>\$0</u>	<u>\$161,511</u>	<u>\$14,883</u>	<u>\$135,399</u>	<u>\$3,502</u>	<u>\$419,654</u>

See accompanying notes to the basic financial statements

Muskingum Families and Children First Council
Muskingum County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

	General	Help Me Grow ARRA Grant	Help Me Grow Subsidy Grant	Help Me Grow Part C Grant	Creative Options Grant	Other Governmental Funds	Total Governmental Funds
Receipts							
Intergovernmental	\$15,750	\$51,732	\$247,974	\$100,075	\$34,279	\$111,392	\$561,202
Charges for Services	21,958		329		5,209		27,496
Gifts and Contributions	26,495						26,495
<i>Total Receipts</i>	<u>64,203</u>	<u>51,732</u>	<u>248,303</u>	<u>100,075</u>	<u>39,488</u>	<u>111,392</u>	<u>615,193</u>
Disbursements							
Current:							
Salary and Benefits	30,673	33,639	213,148	99,109		50	376,619
Travel & Training	9,253	536	3,737	1,328		49,188	64,042
Contract Services	44,210		9,482			71	53,763
Printing/Advertising	901					1,223	2,124
Supplies	8,244		5,522				13,766
Equipment	463		1,462				1,925
Repairs/Maintenance	604		1,735				2,339
Audit	2,158		1,000		1,000	700	4,858
Other	11,182	4,645	15,659		11,689	49,078	92,253
<i>Total Disbursements</i>	<u>107,688</u>	<u>38,820</u>	<u>251,745</u>	<u>100,437</u>	<u>12,689</u>	<u>100,310</u>	<u>611,689</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,485)</u>	<u>12,912</u>	<u>(3,442)</u>	<u>(362)</u>	<u>26,799</u>	<u>11,082</u>	<u>3,504</u>
Other Financing Sources (Uses)							
Advances In	54,259	11,000	50,524	45,524		20,712	182,019
Advances Out	(27,109)	(27,500)	(50,524)	(45,524)		(31,362)	(182,019)
<i>Total Other Financing Sources (Uses)</i>	<u>27,150</u>	<u>(16,500)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10,650)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(16,335)</u>	<u>(3,588)</u>	<u>(3,442)</u>	<u>(362)</u>	<u>26,799</u>	<u>432</u>	<u>3,504</u>
<i>Fund Balances Beginning of Year</i>	<u>120,694</u>	<u>3,588</u>	<u>164,953</u>	<u>15,245</u>	<u>108,600</u>	<u>3,070</u>	<u>416,150</u>
<i>Fund Balances End of Year</i>	<u>\$104,359</u>	<u>\$0</u>	<u>\$161,511</u>	<u>\$14,883</u>	<u>\$135,399</u>	<u>\$3,502</u>	<u>\$419,654</u>

See accompanying notes to the basic financial statements

Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 – Description of the Entity

A. Description of the Entity

Ohio Rev. Code Section 121.37 created the Ohio Family and Children First Cabinet Council and permitted the Board of County Commissioners in each County to establish County Family and Children First Councils. A Board of County Commissioners may invite any other local public or private agency or group that funds, advocates, or provides services to children to have a representative become a permanent or temporary member of its County Council. Each County Council must include the following individuals:

1. At least three individuals whose families are or have received services from an agency which is represented on the Council or another County's Council. Where possible, the number of members representing families shall be equal to twenty per cent of the Council's membership;
2. The Director of the Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMH) that serves the County, or, in the case of a County that has an ADAMH Board and a Community Mental Health Board, the Directors of both Boards. If the ADAMH Board covers more than one County, the Director may designate a person to participate on the County's Council;
3. The Health Commissioner, or the Commissioner's designee, of the Board of Health of each City and General Health District in the County. If the County has more than two health districts, the Health Commissioner membership may be limited to the Commissioners of the two districts with the largest populations;
4. The Director of the County Department of Job and Family Services;
5. The Executive Director of the County agency responsible for the administration of children's services pursuant to Ohio Rev. Code Section 5153.15;
6. The Superintendent of the County Board of Mental Retardation and Developmental Disabilities;
7. The County's Juvenile Court Judge senior in service or another judge of the Juvenile Court designated by the Administrative Judge or, where there is no Administrative Judge, by the Judge senior in service;
8. The Superintendent of the City, Exempted Village, or Local School District with the largest numbers of pupils residing in the County, as determined by the Ohio Department of Education at least biennially;
9. A School Superintendent representing all other School Districts with territory in the County, as designated at a biennial meeting of the Superintendents of those Districts;
10. A representative of the municipal corporation with the largest population in the County;
11. The President of the Board of County Commissioners, or an individual designated by the Board;
12. A representative from the regional office of the Ohio Department of Youth Services;
13. A representative of the County's Head Start Agencies, as defined in Ohio Rev. Code Section 3301.31;

**Muskingum Families and Children First Council
Muskingum County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 – Description of the Entity (Continued)

14. A representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Education Act of 2004"; and
15. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

A County Council's statutory responsibilities include the following:

1. Refer to the Cabinet Council those children for whom the Council cannot provide adequate services;
2. Develop and implement a process that annually evaluates and prioritizes services, fills service gaps where possible, and invents new approaches to achieve better results for families and children;
3. Participate in the development of a countywide, comprehensive, coordinated, multidisciplinary, interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the Department of Health for early intervention services under the "Individuals with Disabilities Education Act of 2004";
4. Maintain an accountability system to monitor the Council's progress in achieving results for families and children; and
5. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

On September 7, 2011, the name of the PRO Muskingum Families and Children First Council was changed to Muskingum Families and Children First Council.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.F, these financial statements are presented on a cash basis of accounting. This 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 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, 1988, have been applied, to the extent they are applicable to the 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 Council's accounting policies.

A. Reporting Entity

A reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Council consists of all funds, departments, and activities that are not legally separate from the Council.

They comprise the Council's legal entity which provides various services including human, social, health and educational services to families and children. The Council, the Board, and the Director have direct responsibility for these activities.

Muskingum Families and Children First Council

Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Council as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the financial condition of the governmental activities of the Council at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Council's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general receipts of the Council, with certain limited exceptions. The comparison of direct expenses with program receipts identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Council.

Fund Financial Statements

During the year, the Council segregates transactions related to certain Council 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 Council 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. Non-major funds are aggregated and presented in a single column.

C. Fund Accounting

The Council 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. Funds are used to segregate resources that are restricted as to use. The Council utilizes the governmental category of funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the Council are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the Council'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 Council for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the Council.

Help Me Grow ARRA Fund - This fund receives federal grant funds and will be used to retain two jobs within Muskingum County Help Me Grow program. This will allow us to provide Help Me Grow Part C services to the families and children in Muskingum County under the governance of the Council.

Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

Help Me Grow Subsidy Grant Fund - This fund receives state grant funds to be used for families with children ages birth to three years and pregnant women who are at risk for abuse, neglect, or developmental delay.

Help Me Grow Part C Grant Fund - This fund receives federal grant funds to be used for families with disabled children ages birth to three years.

Creative Options Grant Fund – This fund receives state grant monies and donations to be used to provide youth and family services in an effort to help maintain families as a unit.

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

D. Fiscal and Administrative Agent

The Zanesville-Muskingum County General Health District serves as the fiscal agent and administrative agent for the Council.

E. Measurement Focus

The Council has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Council's cash basis of accounting, receipts are recognized when received in cash, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

F. Basis of Accounting

As a result of using the 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 cash basis of accounting.

G. Budgetary Process

The Council is required by Ohio Rev. Code Section 121.37(B)(5) to file an annual budget with its administrative agent. The Council estimates revenues and expenditures for the year and submits these estimates to the Zanesville-Muskingum County General Health District's Board. The Council and Board approve any changes made to these estimates during the year. In 2011, the Council filed the required budgets with their administrative agent.

H. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

Restricted Fund balance is reported as 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 The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Council or a Council official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

I. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the Council's cash. The Council's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

J. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Acquisitions of property are not reflected as an asset under the basis of accounting the Council uses.

K. 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 basis of accounting the Council uses.

Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Net Assets

These statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use. The Council first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

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.

Note 3 – Cash and Cash Equivalents

The County Treasurer is the custodian for the Council's cash and investments. The County's cash and investment pool holds the Council's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County. The Council's carrying amount of cash on deposit with the County at December 31, 2011 was \$419,654. The Muskingum County Treasurer's office is located in the Muskingum County Court House at 4th and Main Street, Zanesville, Ohio 43701. The phone number is (740) 455-7109.

Note 4 – Interfund Balances

Interfund balances at December 31, 2011, consisted of the following individual fund receivables and payables:

Due to Muskingum Families & Children First General Fund from:	
Other Governmental	\$397
Total General Fund	<u>\$397</u>

The balance due to the Pro Muskingum General Fund includes loans made to provide working capital for operations or projects. All of these amounts are expected to be repaid within one year.

Note 5 – Risk Management

The Council is covered under CORSA, a public entity shared risk pool among certain counties in Ohio, including Muskingum County. Coverage provided to the Council by CORSA includes general liability, automobile liability and certain property insurance. Employees of various agencies perform services for the Council whereby each agency may provide public official liability coverage.

Full-time employees of the Health District assigned to the Council are provided health and dental insurance through a limited risk health insurance program that is maintained by Muskingum County. Premiums are paid to a third party, Medical Benefits Mutual Life Insurance Company (MedBen). The claims are processed and monitored by the County insurance administrator in conjunction with the third party administrator. These employees are also provided vision and life insurance to full-time employees through a private carrier.

Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 6 – Defined Benefit Pension Plans

Plan Description – Employees of the Health District assigned to the Council 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 the retirement system 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 stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent to cover payroll.

The Council's contribution rate for pension benefits for 2011 was 14 percent of covered payroll. For the period January 1 through December 31, 2011, a portion of the Council's contribution equal to 4 percent of covered payroll was allocated to fund the post-employment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Health District of 14 percent.

The Council's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$26,598, \$26,704, and \$25,003 respectively. The full amount has been contributed for 2011, 2010 and 2009.

Note 7 – Postemployment Benefits

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit Postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including Postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800)222-7377.

Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 7 – Postemployment Benefits (Continued)

Funding Policy – The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employer fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding post-employment healthcare benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare was 4 percent of covered payroll from January 1 through December 31, 2011.

The Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Council's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$10,639, \$15,195, and \$18,861 respectively; 100 percent has been contributed for 2011, 2010 and 2009.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased January 1 of each year from 2006 to 208. These rate increases allowed additional funds to be allocated to the health care plan.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the Council 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.

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below for 2011:

**Muskingum Families and Children First Council
Muskingum County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 9 – Fund Balances (Continued)

Fund Balances	General Fund	Help Me Grow ARRA Grant	Help Me Grow Subsidy Grant	Help Me Grow Part C Grant	Creative Options Grant	Other Governmental Funds
Restricted for						
Grants			\$161,006	\$14,883		\$1,953
Encumbrances			505			1,549
<i>Total Restricted</i>	\$0	\$0	161,511	14,883	\$0	3,502
Assigned to						
Youth and Family Services					135,399	
Encumbrances	304					
<i>Total Assigned</i>	304	0	0	0	135,399	0
Unassigned (deficits):	104,055					
<i>Total Fund Balances</i>	\$104,359	\$0	\$161,511	\$14,883	\$135,399	\$3,502

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Muskingum Families and Children First Council
Muskingum County
333 Putnam Avenue
Zanesville, Ohio 43701

To the Members of the Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Families and Children First Council, Muskingum County, Ohio (the Council), as of and for the year ended December 31, 2011, which collectively comprise the Council's basic financial statements and have issued our report thereon dated October 31, 2012, wherein we noted the Council uses a comprehensive accounting basis other than generally accepted accounting principles. 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-01 and 2011-02 to be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Council's 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*.

The Council's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Council's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, members of the Council, and others within the Council. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 31, 2012

**MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2011-01

Significant Deficiency

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

During 2011, the Council failed to implement GASB Statement No. 54 requirements. This resulted in adjustments being necessary to the Council's financial statements and additional disclosures being necessary in the Council's notes to the basic financial statements.

We recommend the Council follow the requirements of GASB Statement No. 54 when preparing its financial statements each year. In addition, we recommend the Council remain alert to all new accounting pronouncements and implement these requirements when required.

Officials' Response: For future audits all fund balances will be presented in accordance with the GASB 54 report. The Board will stay alert to any new requirements that may arise in the future.

FINDING NUMBER 2011-02

Significant Deficiency

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public officer to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During our review of the financial statements for 2011, we noted the following adjustments:

- The incorrect beginning fund balance was reported on the Statement of Receipts, Disbursements, and Changes in Fund Balances. An audit adjustment was made to increase the General Fund beginning balance and decrease the Other Governmental Fund beginning balance by \$5,069.
- Advances in and out in the amount of \$45,524 in the Help Me Grow Part C Grant Fund were not recorded in the Statement of Receipts, Disbursements, and Changes in Fund Balances. Advances in of \$20,712 and advances out of \$31,362 in Other Governmental Funds were not recorded in the Statement of Receipts, Disbursements, and Changes in Fund Balances.

These adjustments, with which management agrees, have been posted to the Council's financial statements.

We recommend the Fiscal Officer exercise additional care when preparing the year-end financial statements.

**MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2011-02 (Continued)

Significant Deficiency (Continued)

Officials' Response: In the future additional care will taken when transferring information from the auditor's ledgers and carrying beginning balances from the prior year audits when preparing the draft financial statements. This was the Fiscal Officer's first attempt to putting these statements together.



Dave Yost • Auditor of State

MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL

MUSKINGUM 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
NOVEMBER 13, 2012**