



**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003**



**Auditor of State
Betty Montgomery**

**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE COUNTY**

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**Auditor of State
Betty Montgomery**

Lake County Family and Children First Council
Lake County
30 South Park Place
Painesville, Ohio 44077

To the Members of the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 22, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lake County Family and Children First Council
Lake County
30 South Park Place
Painesville, Ohio 44077

To the Members of the Council:

We have audited the accompanying financial statements of the Lake County Family and Children First Council, Lake County, Ohio, (the Council) as of and for the years ended December 31, 2004 and December 31, 2003. 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 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 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 Council to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since this Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserve for encumbrances of the Lake County Family and Children First Council, Lake County, Ohio, as of December 31, 2004 and December 31, 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2 to the financial statements the Council restated their beginning fund balance for fiscal year ending December 31, 2003.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the year ended December 31, 2004. The Council 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 November 22, 2005, 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.



Betty Montgomery
Auditor of State

November 22, 2005

**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Type</u>
	<u>General</u>
Cash Receipts:	
Intergovernmental	\$726,439
Other Revenue	<u>18,713</u>
Total Cash Receipts	<u>745,152</u>
Cash Disbursements:	
Current:	
Salaries	74,744
Fringe Benefits	8,439
Materials and Supplies	170
Contractual Services	534,761
Postage	27
Travel Expenses	1,084
Administration Fees	34,716
State Remittances	515
Other Expenditures	<u>100</u>
Total Cash Disbursements	<u>654,556</u>
Total Receipts Over/(Under) Disbursements	90,596
Fund Cash Balances, January 1, 2004	<u>187,432</u>
Fund Cash Balances, December 31, 2004	<u><u>\$278,028</u></u>
Reserve for Encumbrances, December 31, 2004	<u><u>\$0</u></u>

The notes to the financial statements are an integral part of this statement.

**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Type</u>
	<u>General</u>
Cash Receipts:	
Intergovernmental	\$670,588
Other Revenue	<u>38,536</u>
Total Cash Receipts	<u>709,124</u>
Cash Disbursements:	
Current:	
Materials and Supplies	262
Contractual Services	566,880
Advertising and Printing	33,265
Postage	139
Examinations	1,821
Travel Expenses	1,774
Administration Fees	56,054
Refunds and Reimbursements	<u>9,000</u>
Total Cash Disbursements	<u>669,195</u>
Total Receipts Over/(Under) Disbursements	<u>39,929</u>
Other Financing Receipts and (Disbursements):	
Transfers-In of Fund Balance	<u>9,687</u>
Total Other Financing Receipts/(Disbursements)	<u>9,687</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	49,616
Fund Cash Balances, January 1, 2003, Restated	<u>137,816</u>
Fund Cash Balances, December 31, 2003	<u><u>\$187,432</u></u>
Reserve for Encumbrances, December 31, 2003	<u><u>\$50,320</u></u>

The notes to the financial statements are an integral part of this statement.

**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Section 121.37, Revised Code, created the Ohio Family and Children First Cabinet Council and permitted counties to establish county family and children first councils. Statutory membership of a county council consists of the following individuals:

- a. At least three individuals whose families are or have received services from an agency represented on the council or another county's council. Where possible, the number of members representing families shall be equal to twenty percent of the council's membership;
- b. The director of the board of alcohol, drug addiction, and mental health services that serves the county, or in the case of a county that has a board of alcohol and drug addiction services and a community mental health board, the directors of both boards. If a board of alcohol, drug addiction, and mental health services covers more than one county, the director may designate a person to participate on the county's council;
- c. The health commissioner of the board of health of each city or general health district in the county, or their designees. If the county has two or more health districts, the health commissioner membership may be limited to the commissioners of the two districts with the largest populations;
- d. The director of the county department of job and family services;
- e. The executive director of the county agency responsible for the administration of children services pursuant to Section 5153.15 of the Revised Code;
- f. The superintendent of the county board of mental retardation and developmental disabilities;
- g. 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;
- h. The superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the county, as determined by the department of education, which notify each county of its determination at least biennially;
- i. 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;
- j. A representative of the municipal corporation with the largest population in the county;
- k. The president of the board of county commissioners, or an individual designated by the board;
- l. A representative of the regional office of the department of youth services;
- m. A representative of the county's head start agencies, as defined in Section 3301.31 of the Revised Code; and

**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

- n. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

A county family and children first council may invite any other 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 the council.

A county council's statutory responsibilities include the following:

- a. Refer to the cabinet those children for whom the council cannot provide adequate services;
- b. Develop and implement a process that annually evaluates and prioritizes services, fills service gaps where possible, or invents new approaches to achieve better results for families and children;
- c. Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, 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 "Education of the handicapped Act Amendments of 1986";
- d. Maintain an accountability system to monitor the council's progress in achieving results for families and children; and
- e. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

B. 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.

C. Fund Accounting

The Council 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 are reflected in a self-balancing group of accounts. The Council classifies its funds into the following types.

**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

General Fund

The General Fund is the general operating fund. The Council had the following significant source of funding:

Intergovernmental Receipts - Funds received from the Help Me Grow Grant, Administration Grant, Teen Pregnancy Grant and the Wellness Block Grant.

D. Administrative and Fiscal Agent

The Lake County Board of Commissioners was the administrative and fiscal agent for the Council from January 2003 to June 2004. During July 2004, the Lake County General Health District became the administrative and fiscal agent for the Council. The Lake County Auditor is the fiscal agent for the Lake County Board of Commissioners and the Lake County General Health District. The Council's fund is maintained in a separate special revenue fund at the County.

E. Contracted Services

For the period January 1, 2003 through December 31, 2004, the Council's program administrators, who are employees of the Lake County Educational Service Center, were paid through contracted services.

All other personnel were paid through contracted services, except for Help Me Grow personnel which were paid directly from the grant from August 2004 to December 2004. The County Auditor issues an IRS form W-2 to the Council employees at year-end.

F. Property, Plant, and Equipment

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

2. RESTATEMENT OF FUND BALANCE

The Council restated the beginning fund balance for fiscal year ending December 31, 2003 from \$107,778 to \$137,816. The restatement is due to the overstatement of expenditures in the prior year.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Lake County Treasurer maintains a cash pool used by all of the County's funds, including those of the Family and Children First Council through the Lake County General Health District. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash on deposit with the County Treasurer as of December 31, 2004 and December 31, 2003 was \$278,028 and \$187,432 respectively. Lake County General Health District, as fiscal agent for the Council, through Lake County is responsible for maintaining adequate depository collateral for all funds in the County Treasurer's pooled and deposit accounts.

**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4 RETIREMENT SYSTEMS

Employees belong to the Ohio Public Employees Retirement System (OPERS). 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OPERS members contributed 8.5% of their gross salaries. The Council contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Council has paid all contributions required through December 31, 2004. The Council did not have any employees during fiscal year 2003.



**Auditor of State
Betty Montgomery**

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

Lake County Family and Children First Council
Lake County
30 South Park Place
Painesville, Ohio 44077

To the Members of the Council:

We have audited the financial statements of the Lake County Family and Children First Council, Lake County, Ohio, (the Council) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated November 22, 2005, wherein we noted that the Council prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We also noted the Council restated their beginning fund balance for fiscal year ending December 31, 2003. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the 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*. In a separate letter to the Council's management dated November 22, 2005, we reported an other matter related to noncompliance we deemed immaterial.

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Lake County Family and Children First Council
Lake County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the audit committee, management, and the members of Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 22, 2005



**Auditor of State
Betty Montgomery**

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**LAKE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
LAKE 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
DECEMBER 27, 2005**