



**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

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Mary Taylor, CPA
Auditor of State

Family and Children First Council
Defiance County
500 Court Street, Suite F
Defiance, Ohio 43512-2171

To 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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 14, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Family and Children First Council
Defiance County
500 Court Street, Suite F
Defiance, Ohio 43512-2171

To the Council:

We have audited the accompanying financial statements of the Family and Children First Council, Defiance County, (the Council) as of and for the years ended December 31, 2006 and 2005. 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.

Instead of the funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Councils to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is 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 Council 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 Family and Children First Council, Defiance County, as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 August 14, 2007, 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.



Mary Taylor, CPA
Auditor of State

August 14, 2007

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$125,100	\$224,464	\$349,564
Other Revenue	53,408		53,408
Total Cash Receipts	<u>178,508</u>	<u>224,464</u>	<u>402,972</u>
Cash Disbursements:			
Current:			
Salaries	54,660	87,687	142,347
Insurance	5,546	30,063	35,609
OPERS/Workman's Compensation	5,180	12,398	17,578
Contract Services		23,136	23,136
Ohio Childrens Trust	14,500		14,500
FAST Grant Expenses	29,316		29,316
Administration	5,196		5,196
MR/DD Program Services		16,154	16,154
ABC Grant Expenditures	9,128		9,128
Rent		4,404	4,404
Family Support	75	1,597	1,672
Utilities	1,451	1,968	3,419
Supplies	6,010	22,919	28,929
Training - Grant, Conferences, and Travel	4,459	7,385	11,844
Miscellaneous	22,093		22,093
Total Cash Disbursements	<u>157,614</u>	<u>207,711</u>	<u>365,325</u>
Total Cash Receipts Over Cash Disbursements	<u>20,894</u>	<u>16,753</u>	<u>37,647</u>
Other Financing Receipts and (Disbursements):			
Advances-In		15,000	15,000
Advances-Out	(15,000)		(15,000)
Total Other Financing Receipts and (Disbursements)	<u>(15,000)</u>	<u>15,000</u>	
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Disbursements	5,894	31,753	37,647
Fund Cash Balances, January 1	<u>65,755</u>	<u>7,689</u>	<u>73,444</u>
Fund Cash Balances, December 31	<u>\$71,649</u>	<u>\$39,442</u>	<u>\$111,091</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$71,150	\$246,415	\$317,565
Other Revenue	40,138	1,478	41,616
Total Cash Receipts	<u>111,288</u>	<u>247,893</u>	<u>359,181</u>
Cash Disbursements:			
Current:			
Salaries	34,488	86,916	121,404
Insurance	4,866	31,273	36,139
OPERS/Workman's Compensation	5,095	12,662	17,757
Contract Services		36,751	36,751
Ohio Childrens Trust	14,500		14,500
FAST Grant Expenses	20,187		20,187
Administration		4,074	4,074
No Tobacco Program	1,078		1,078
MR/DD Program Services		30,823	30,823
Rent		5,476	5,476
Juvenile Probation Cluster	20,368		20,368
Family Support	50	5,917	5,967
Utilities	6,626	2,189	8,815
Supplies	1,329	23,669	24,998
Training - Grant, Conferences, and Travel	3,790	5,266	9,056
Miscellaneous	2,624		2,624
Total Cash Disbursements	<u>115,001</u>	<u>245,016</u>	<u>360,017</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>(3,713)</u>	<u>2,877</u>	<u>(836)</u>
Other Financing Receipts and (Disbursements):			
Advances-In	15,000		15,000
Advances-Out		(15,000)	(15,000)
Total Other Financing Receipts and (Disbursements)	<u>15,000</u>	<u>(15,000)</u>	
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Disbursements	11,287	(12,123)	(836)
Fund Cash Balances, January 1	<u>54,468</u>	<u>19,812</u>	<u>74,280</u>
Fund Cash Balances, December 31	<u>\$65,755</u>	<u>\$7,689</u>	<u>\$73,444</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Ohio Revised Code § 121.37 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. 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;
- b. The health commissioner of the board of health of each city or general health district in the county, or their designees;
- c. The director of the county department of job and family services;
- d. The executive director of the county agency responsible for the administration of children services pursuant to section 5153.15 of the Revised Code;
- e. The superintendent of the county board of mental retardation and developmental disabilities;
- f. The county's juvenile court judge senior in service;
- g. 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 shall notify each county of its determination at least biennially;
- h. 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;
- i. A representative of the largest city in the county;
- j. The chair of the board of county commissioners, or an individual designated by the board;
- k. A representative of the regional office of the department of youth services;
- l. A representative of the county's head start agencies, as defined in section 3301.31 of the Revised Code;
- m. A representative of the county's early intervention collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986";
- n. At least three individuals representing the interests of families in the county. Where possible, the number of members representing families shall be equal to 20 percent of the council's remaining membership.

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A county family and children first council 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 the council.

A county council's statutory responsibilities include the following:

- a. Refer to the cabinet council those children for whom the council cannot provide adequate services;
- b. Make periodic reports to the cabinet council regarding the number of children referred to the county council and the progress made in meeting the needs of each child;
- c. Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invents new approaches to achieve better results for families and children;
- d. 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";
- e. Maintain an accountability system to monitor the council's progress in achieving its purposes;
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted. The primary source of revenue for Council operations consists of state grants. The amount provided is based on the Council's annual budget and the amount needed to fulfill Council obligations.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Council had the following Special Revenue Fund:

Help Me Grow – Federal and State grant to be used for supporting and assisting low income families with children.

D. Fiscal Agent

The Defiance County Commissioners served as fiscal agent for the Council. Council funds are maintained in separate agency funds by the Defiance County Auditor.

E. Budgetary Process

The Council prepares an annual budget including estimated receipts and disbursements and files it with its administrative agent. Unencumbered appropriations lapse at year end.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

The Defiance County Treasurer maintains a cash pool used by all the County's funds, including those of the Family and Children First Council. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash on deposit with the County at December 31, 2006, was \$ 111,091 and at December 31, 2005, was \$ 73,444. The County as fiscal agent for the Council is responsible for maintaining adequate depository collateral for all funds in the agent's pooled and deposit accounts.

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$176,290	\$178,508	\$2,218
Special Revenue	206,413	224,464	18,051
Total	\$382,703	\$402,972	\$20,269

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$171,221	\$157,614	\$13,607
Special Revenue	205,876	207,711	(1,835)
Total	\$377,097	\$365,325	\$11,772

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$122,827	\$111,288	(\$11,539)
Special Revenue	243,984	247,893	3,909
Total	\$366,811	\$359,181	(\$7,630)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$177,295	\$115,001	\$62,294
Special Revenue	263,796	245,016	18,780
Total	\$441,091	\$360,017	\$81,074

4. RETIREMENT SYSTEM

The Council's 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.

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. RETIREMENT SYSTEM – (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5 percent of their wages for 2005 and 9 percent of their wages for 2006. The Council contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 13.7 percent of participants' gross salaries for 2006. The Council has paid all contributions required through December 31, 2006.

5. RISK MANAGEMENT

The Council is insured for general liability and casualty by the Defiance County Commissioners.

6. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*¹

Family and Children First Council
Defiance County
500 Court Street, Suite F
Defiance, Ohio 43512-2171

To the Council:

We have audited the financial statements of the Family and Children First Council, Defiance County, (the Council) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 14, 2007, wherein we noted the Council 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 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Council's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be 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.

We noted certain matters that we reported to the Council's management in a separate letter dated August 14, 2007.

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*.

We did note certain noncompliance or other matters that we reported to the Council's management in a separate letter dated August 14, 2007.

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



Mary Taylor, CPA
Auditor of State

August 14, 2007



Mary Taylor, CPA
Auditor of State

FAMILY AND CHILDREN FIRST COUNCIL

DEFIANCE 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
SEPTEMBER 11, 2007**