

***MONTGOMERY COUNTY FAMILY AND CHILDREN
FIRST COUNCIL***

AUDIT REPORT

For the Year Ended December 31, 2005

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



Mary Taylor, CPA
Auditor of State

Montgomery County Family and Children First Council
451 West Third Street, 9th Floor
Dayton, Ohio 45422

We have reviewed the *Report of Independent Accountants* of the Montgomery County Family and Children First Council, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 28, 2007

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MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
AUDIT REPORT

For the year ended December 31, 2005

Table of Contents

<u>Title</u>	<u>Page</u>
Report of Independent Accountants.....	1-2
Management’s Discussion and Analysis.....	3-7
Statement of Net Assets – Cash Basis December 31, 2005	8
Statement of Activities – Cash Basis December 31, 2005.....	9
Statement of Cash Basis Assets and Fund Balances - For the Year Ended December 31, 2005	10
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - For the Year Ended December 31, 2005	11
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – Budget Basis - General Fund - For the Year Ended December 31, 2005	12
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – Budget Basis – Help Me Grow (HMG) Fund - For the Year Ended December 31, 2005	13
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – Budget Basis – Wellness Fund - For the Year Ended December 31, 2005.....	14
Notes to the Financial Statements.....	15-23
Schedule of Federal Awards Expenditures.....	24
Notes to the Schedule of Federal Awards Expenditures.....	25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	26-27
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	28-29
Schedule of Findings.....	30-31
Schedule of Prior Audit Findings.....	32

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REPORT OF INDEPENDENT ACCOUNTANTS

Montgomery County Family and Children First Council
451 West Third Street, 9th Floor
Dayton, Ohio 45422

To Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montgomery County Family and Children First Council (the Council), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Council as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, the Help Me Grow (HMG) Fund and the Wellness Fund thereof for the year then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis on pages 3 to 7 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 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, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

January 25, 2007

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)**

This discussion and analysis of the Montgomery County Family and Children First Council's (the Council) financial performance provides an overall review of the Council's financial activities for the year ended December 31, 2005, within the limitations of the Council's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Council's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Total net assets increased \$370,859 during fiscal year 2005, which represents a 27% increase from fiscal year 2004.
 - The primary reason for this increase is specific to the Council's restricted funds. Restricted fund net assets increased by \$247,138 due to the timing of funds received from the Ohio Department of Health (ODH) and the Montgomery County Department of Job and Family Services (MCDJFS) to support the State of Ohio's Help Me Grow program for children ages birth through their third birthday. The timing of receipts vs. payments resulted in net assets at the close of Council's of \$331,101 vs. \$83,963 at the close of 2004.
 - The Council's general fund balance increased by \$123,721 due to a decrease in filled staffing positions and general lower spending in operating costs.
- The Council's receipts are from support from Federal, State and County government. These receipts are 100% of the Council's receipts.
 - The County support of \$455,250 came from the Human Services Levy for general fund operations.
 - The State FCF provided \$20,000 in support of general fund operations.
 - The ODH provided \$2,018,721 in federal TANF funds (passed through MCDJFS), \$448,239 in state general revenue funds and \$750,536 in federal part C funds for the Help Me Grow program.
 - The MCDJFS provided \$541,792 in federal TANF funds to support of the Wellness program.

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.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)**

Reporting Components

The statement of net assets and the statement of activities provide information about the cash position and the changes in cash position at the entity wide level. The statement of cash basis assets and fund balances and the statement of cash receipts, disbursements and changes in cash basis fund balances report the Council's cash position and the changes in cash position by major fund. The statement of cash receipts, disbursements and changes in cash basis fund balance budget-and-actual-budget basis provides original and final budgeted amounts, with variances reflecting comparison of final budgeted amounts with actual receipts and expenditures. The notes to the financial statements are an integral part of the 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 are recognized when received in cash, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

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 Government as a Whole

The statement of net assets and the statement of activities reflect how the Council did financially during 2005, within the limits of cash basis accounting. The statement of net assets presents the cash balances of the Council at year end. The statement of activities presents the receipts and disbursement activity during 2005.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)**

Table 1 provides a summary of the Council's net assets for 2005 compared to 2004 on a cash basis:

**TABLE 1
NET ASSETS**

<u>ASSETS:</u>	<u>2005</u>	<u>2004</u>
Cash and Cash Equivalents	\$ 1,726,820	\$ 1,355,961
Total Assets	<u>1,726,820</u>	<u>1,355,961</u>
<u>NET ASSETS:</u>		
Restricted	331,101	83,963
Unrestricted	<u>1,395,719</u>	<u>1,271,998</u>
Total Net Assets	<u>\$ 1,726,820</u>	<u>\$ 1,355,961</u>

As mentioned previously, net assets increased \$370,859 or 27% during 2005. The primary reason for this increase is specific to the timing of funds received from the Ohio Department of Health (ODH) and the Montgomery County Department of Job and Family Services (MCDJFS) to support the State of Ohio's Help Me Grow program.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)**

Table 2 reflects the changes in net assets during 2005:

**TABLE 2
CHANGE IN NET ASSETS**

	2005	2004
PROGRAM RECEIPTS:		
Operating Grants	\$ 3,769,469	\$ 4,513,316
GENERAL RECEIPTS:		
Human Services Levy	475,250	445,250
Miscellaneous	7	6,024
Total Receipts	4,244,726	4,964,590
DISBURSEMENTS:		
General Government	351,536	352,033
Social Services	3,522,331	4,035,016
Total Disbursements	3,873,867	4,387,049
Change in Net Assets	370,859	577,541
Net Assets, Beginning of Year	1,355,961	778,420
Net Assets, End of Year	\$ 1,726,820	\$ 1,355,961

Intergovernmental receipts represented 100% of program receipts and is primarily comprised of federal, state and county government receipts. The largest category of disbursements were for specific restricted grant services provided to support the Help Me Grow and Wellness programs through contractors in the community.

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 consider other non-financial factors as well as the condition of the Council's capital assets and infrastructure, the extent of the Council's reliance on non-local financial resources for operations and the need for continued growth in other local revenue sources.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)**

Capital Assets and Debt Administration

The Council has no capital assets and no debt.

Budgetary Highlights

The Council made numerous revisions to the original appropriation approved by the Council and the Council's fiscal agent, the Montgomery County Board of County Commissioners. Overall, these changes resulted in little significant change in the fund balance. During 2005, the District spent about 87% of the amount appropriated in the General Fund. The District's 2005 financial statements include budgetary statements for the General Fund, the Help Me Grow (HMG) Fund and the Wellness Fund.

Contacting the Council's Financial Management

This financial report is designed to provide our citizens and taxpayers 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 Tom Kelley, Director, Montgomery County Office of Family and Children First, 451 West Third Street, 9th Floor, Dayton, Ohio 45422.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS – CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets	<u>2005</u>
Cash and Cash Equivalents	\$1,726,820
Total Assets	<u>1,726,820</u>
Net Assets	
Restricted	331,101
Unrestricted	1,395,719
Total Net Assets	<u>\$1,726,820</u>

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u> <u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u> <u>Governmental Activities</u>
Governmental Activities			
General Government	\$ 351,536	\$ -	\$ (351,536)
Social Services	3,522,331	3,769,469	247,138
	\$ 3,873,867	\$ 3,769,469	(104,398)
General Receipts			
Human Services Levy			475,250
Miscellaneous			7
Total General Receipts			475,257
Change in Net Assets			370,859
Net Assets Beginning of Year			1,355,961
			\$ 1,726,820
Net Assets End of Year			\$ 1,726,820

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Help Me Grow (HMG)	Wellness	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 1,395,719	\$ 331,101		\$ 1,726,820
Total Assets	1,395,719	331,101	\$0	1,726,820
Fund Balances				
Reserved:				
Reserved for Encumbrances	17,027	668,314		685,341
Unreserved:				
Undesignated, Reported in:				
General Fund	1,378,692			1,378,692
Special Revenue		(337,213)		(337,213)
Total Fund Balances	\$ 1,395,719	\$ 331,101	\$0	\$ 1,726,820

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

	<u>General</u>	<u>Help Me Grow (HMG)</u>	<u>Wellness</u>	<u>Total Governmental Funds</u>
Receipts				
Intergovernmental	\$ 475,250	\$ 3,227,677	\$ 541,792	\$ 4,244,719
Miscellaneous	7			7
Total Receipts	<u>475,257</u>	<u>3,227,677</u>	<u>541,792</u>	<u>4,244,726</u>
Disbursements				
Salary and Benefits	251,070			251,070
Intergovernmental Disbursements		1,536,055	541,792	2,077,847
Contractual Services		1,438,803		1,438,803
Supplies and Materials	5,156			5,156
Professional Services	50,300			50,300
Rent, Advertising and Operating	44,810			44,810
Capital Outlay	200			200
Total Disbursements	<u>351,536</u>	<u>2,980,539</u>	<u>541,792</u>	<u>3,873,867</u>
Change in Fund Balances	123,721	247,138		370,859
Fund Balance Beginning of Year	1,271,998	83,963		1,355,961
Fund Balance End of Year	<u>\$ 1,395,719</u>	<u>\$ 331,101</u>	<u>\$ 0</u>	<u>\$ 1,726,820</u>

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCE – BUDGET AND ACTUAL – BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Human Services Levy	\$ 455,250	\$ 455,250	\$ 455,250	\$ -
Miscellaneous	20,000	20,000	20,007	7
Total Receipts	<u>475,250</u>	<u>475,250</u>	<u>475,257</u>	<u>7</u>
Disbursements				
Salary and Benefits	284,227	273,727	268,097	5,630
Supplies and Materials	13,250	10,250	5,156	5,094
Professional Services	69,000	80,982	50,300	30,682
Rent, Advertising and Operating	66,750	47,268	44,810	2,458
Capital Outlay	10,000	10,000	200	9,800
Total Disbursements	<u>443,227</u>	<u>422,227</u>	<u>368,563</u>	<u>53,664</u>
Receipts Over (Under) Disbursements	32,023	53,023	106,694	53,664
Fund Balance Beginning of Year	1,259,047	1,259,047	1,259,047	
Prior Year Encumbrances Appropriated	<u>12,950</u>	<u>12,950</u>	<u>12,950</u>	
Fund Balance End of Year	<u>\$ 1,304,020</u>	<u>\$ 1,325,020</u>	<u>\$ 1,378,692</u>	<u>\$ 53,664</u>

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCE-BUDGET AND ACTUAL- BUDGET BASIS
HELP ME GROW (HMG) FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	<u>\$3,227,677</u>	<u>\$3,227,677</u>	<u>\$3,227,677</u>	
Total Receipts	3,227,677	3,227,677	3,227,677	
Disbursements				
Contractual Services	2,125,591	2,125,591	2,112,798	\$12,793
Intergovernmental Disbursements	<u>1,118,310</u>	<u>1,118,310</u>	<u>1,536,055</u>	<u>(417,745)</u>
Total Disbursements	<u>3,243,901</u>	<u>3,243,901</u>	<u>3,648,853</u>	<u>(404,952)</u>
Receipts Over (Under) Disbursements	(16,224)	(16,224)	(421,176)	(404,952)
Fund Balance Beginning Of Year	(1,815,516)	(1,815,516)	(1,815,516)	
Prior Year Encumbrances Appropriated	<u>1,899,479</u>	<u>1,899,479</u>	<u>1,899,479</u>	
Fund Balance End Of Year	<u>\$ 67,739</u>	<u>\$ 67,739</u>	<u>\$(337,213)</u>	<u>\$ (404,952)</u>

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCE - BUDGET AND ACTUAL – BUDGET BASIS
WELLNESS FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 550,000	\$ 550,000	\$ 541,792	\$ (8,208)
Total Revenues	550,000	550,000	541,792	(8,208)
Disbursements				
Contractual Services	550,000	550,000	541,792	8,208
Total Disbursements	550,000	550,000	541,792	8,208
Receipts Over (Under) Disbursements	0	0	0	0
Fund Balance Beginning of Year Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance End Of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

1. DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY

A. Description of the Entity

Ohio Rev. Code Section 121.37 created the Ohio Family and Children First Council and permitted counties to establish county family and children first councils. Montgomery County Family and Children First Council (the Council) is a government entity that is directly concerned with issues of fact or policy on matter other than the improvement of the law, the legal system, or the administration of justice. The Council may invite any other local public or private agency or group that funds, advocates, provides services to children to have a representative become a permanent or temporary member of the council.

The Council's statutory responsibilities include the following:

- Refer to the cabinet council those children for whom the council cannot provide adequate services;
- Make periodic reports to the cabinet council regarding the number of children referred to county council and the progress made in meeting the needs of each child;
- Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invent new approaches to achieve better results for families and children;
- Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, interagency system for infant 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";
- Maintain an accountability system to monitor the Council's progress in achieving its purposes;
- Establish a mechanism to ensure ongoing input from a board representation of families who are receiving services within the county system.

The Council was officially recognized as being established by the Governor on March 30, 1995. The purpose of the Council is to create and sustain an efficient, effective, and responsive countywide system to provide: human, social, health and educational services to families and children.

The Council meets on a quarterly basis.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

1. DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY (Continued)

B. 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 Steering Committee, and the Director have direct responsibility for these activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

These financial statements follow the cash basis of accounting, which is different than accounting principles generally accepted in the United States of America.

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.

1. 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 receipts 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 receipts 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. Receipts which are not classified as program receipts 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 receipts of the Council.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the year, the Council segregates transactions related to certain Council function 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. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

3. 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. The Council utilizes the governmental category of funds.

4. Governmental Funds

Governmental funds are those through which most governmental functions of the Council typically 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 (HMG) Fund – This Special Revenue fund is used to account for revenue received and expended from State Help Me Grow and Federal TANF grant monies.

Wellness Fund – This Special Revenue fund is used to account for revenue received and expended from Federal TANF grant monies.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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.

6. 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.

B. Cash

As required by the Ohio Revised Code, the Montgomery County (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 the County Treasurer's reported carrying amount.

C. 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.

D. Long-term Debt Obligations

The Council did not have any bonds or other long-term debt obligations.

E. Net Assets

These statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitation on their use.

The Council first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Council must annually file a budget with its administrative agent. The certificate of estimated resources establishes a limit on the amount the Council may appropriate. The appropriation resolution is the Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Council. The legal level of budgetary control has been established by the Council at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by the Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts representing the final appropriation amounts passed by the Council during the year.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payment for unused leave. Unpaid leave is not reflected as liability under the basis of accounting the Council uses.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

3. CASH AND CASH EQUIVALENTS

The Montgomery County Commissioners maintain a cash pool used by all of the County's funds, including those of the Family and Children First Council. The Ohio Revised Code prescribes allowable deposits and investments. At year-end, the carrying amount of the Council's deposits with the Montgomery County Commissioners was \$1,726,820. The Montgomery County Board of County Commissioners, as the fiscal agent for the Council, is responsible for maintaining adequate depositor collateral for all funds in the County's pooled cash and deposit accounts.

4. CONTRACTUAL COMMITMENTS

At December 31, 2005, the Council had \$2,113,699 in contractual commitments for services provided to children and families. These contracts will be funded by federal and state program grants.

<u>Contractor</u>	<u>Amount</u>
Montgomery County Educational Service Center	\$4,854
Fidelity Health Care	30,728
Kettering Medical Center	38,640
Greater Dayton Area Hospital Association	1,627,163
Catholic Social Services	89,873
Abstinence Resource Center	20,000
Dayton Urban League	21,356
East End Community Center	60,000
Girls Scouts of Buckeye Trail	107,970
YWCA	21,314
Wesley Community Center	75,000
Planned Parenthood	16,800
Total	<u><u>\$2,113,699</u></u>

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

5. RISK MANAGEMENT

The Council is covered under the County's insurance policies. The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The County accounts for its risk management activities in Internal Service funds which also finance its uninsured risk of loss. Under these programs the Internal Service funds provide coverage for up to a maximum of \$250,000 for workers' health care claims, \$300,000 for each workers' compensation claim, \$500,000 for each general liability claim and \$100,000 for each property damage claim. For health care and property and casualty loss programs, the County purchases commercial insurance for claims in excess of coverage provided by the Fund and for other risks of loss. For the workers' compensation program, the County pays premiums to the State Bureau of Workers' Compensation for claims in excess of coverage provided by the Fund. In addition, the Fund pays assessments to the Bureau of Workers' Compensation for administration and payments of claims. The County purchases commercial insurance for non-self-funded employee health-care benefits programs. For all of the County's insurance programs, settled claims have not exceeded commercial coverage in any of the past three years.

6. PENSION OBLIGATIONS

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

- **The Traditional Pension Plan** – a cost sharing, multiple-employer defined benefit pension plan;
- **The Member-Directed Plan** – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- **The Combined Plan** – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

7. PENSION OBLIGATIONS (Continued)

Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPER issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The 2005 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. The 2005 employer contribute rate for local government employer units was 13.55% of covered payroll.

The Council's contributions for pension obligations to the traditional, combined, and member-directed plans for the years ended December 31, 2005, 2004 and 2003 were \$26,321, \$24,502 and \$25,737, all of which was contributed at December 31, 2005.

8. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 employer contribution rate was 13.55 percent of covered payroll and 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004 (the latest information available), include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

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

**8 POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)**

compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$7,770. The actual contribution and the actuarial required contribution amounts are the same. OPERS' net assets available for the payment of benefits at December 31, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPER'S health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

9. SUBSEQUENT EVENTS/CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Federal Grantor/ Pass Through Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Health</i>			
Special Education Grants for Infants and Families with Disabilities – Help Me Grow-Part C	5710021EG05	84.181	\$ 296,496
	5710021EG06		<u>454,040</u>
Total United States Department of Education			750,536
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Montgomery County Dept of Job and Family Services</i>			
Temporary Assistance to Needy Families (TANF) - Wellness Program	SFY05	93.558	387,605
TANF-Wellness Program	SFY06		154,187
TANF-Help Me Grow	SFY05		1,291,511
TANF-Help Me Grow	SFY06		<u>727,210</u>
Total United States Department of Health and Human Services			<u>2,563,045</u>
 Total Federal Assistance			 <u><u>\$ 3,313,581</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
DECEMBER 31, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Council's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Montgomery County Family and Children First Council
451 West Third Street, 9th Floor
Dayton, Ohio 45422

To Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County Family and Children First Council (the Council), as of and for the year ended December 31, 2005, which collectively comprise the Council's basic financial statements and have issued our report thereon dated January 25, 2007, wherein we noted that the Council uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the finance committee, management and the Council, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

January 25, 2007

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

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Montgomery County Family and Children First Council
451 West Third Street, 9th Floor
Dayton, Ohio 45422

To Council:

Compliance

We have audited the compliance of the Montgomery County Family and Children First Council, (the Council), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Council's major federal program. The Council's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The Council's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management, the Council, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

January 25, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
December 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA # 93.558 - Temporary Assistance to Needy Families (TANF) CFDA # 84.181 - Special Education Grants for Infants and Families with Disabilities - Help Me Grow
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
December 31, 2005

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

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



Mary Taylor, CPA
Auditor of State

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY 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
APRIL 10, 2007