



**Auditor of State
Betty Montgomery**

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUCL
MONTGOMERY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To Members of the Council:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Family and Children First Council, Montgomery County, (the Council), as of and for the year ended December 31, 2004, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Council, as of December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General, Help Me Grow (HMG) and Wellness Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Council revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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 10, 2005

**MONTGOMERY COUNTY FAMILY & CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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, 2004, within the limitations of the Council's cash basis 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 2004 are as follows:

- Total net assets increased \$577,541 during fiscal year 2004, which represents a 183% increase from fiscal year 2003.
 - The primary reason for this increase is specific to the Council's restricted funds. Restricted fund net assets increased by \$459,500 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 three. The timing of receipts versus payments resulted in net assets restricted at the close of 2004 of \$83,963 versus (\$375,537) at the close of 2003.
 - The Council's general fund net assets increased by \$118,041 due to a decrease in filled staffing positions and general lower spending in operating costs.
- The Council's revenues are from support from Federal, State and County government. These receipts are 100% of the Council's revenues.
 - The County support of \$445,250 came from the Human Services Levy for general fund operations.
 - The State FCFC provided \$18,800 in support of general fund operations.
 - The ODH provided \$3,087,751 in federal TANF funds (passed through MCDJFS), \$468,878 in state general revenue funds, and \$443,490 in federal part C funds for the Help Me Grow program.
 - The MCDJFS provided \$494,397 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.

Report Components

The statement of net assets and the statement of activities provide information about the Council's 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 statements 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.

**MONTGOMERY COUNTY FAMILY & CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. These financial statements follow the basis of accounting the Auditor of State prescribes or permits. 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 2004, 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 revenue and disbursement activity during 2004.

Table 1 provides a summary of the Council's net assets for 2004 compared to 2003 on a cash basis:

**TABLE 1
NET ASSETS**

ASSETS:	2004	2003
Cash and Cash Equivalents	<u>\$1,355,961</u>	<u>\$778,420</u>
Total Assets	<u>1,355,961</u>	<u>778,420</u>
NET ASSETS:		
Restricted	83,963	(375,537)
Unrestricted	<u>1,271,998</u>	<u>1,153,957</u>
Total Net Assets	<u>\$1,355,961</u>	<u>\$778,420</u>

As mentioned previously, net assets increased \$577,541 or 183% during 2004. 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.

Table 2 reflects the changes in net fund balances during 2004. Since the Council did not prepare financial statements in this format for 2003, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**MONTGOMERY COUNTY FAMILY & CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

**TABLE 2
CHANGE IN NET FUND BALANCES**

RECEIPTS:	2004
Intergovernmental	<u>\$4,958,566</u>
Miscellaneous	<u>6,024</u>
Total Receipts	<u>4,964,590</u>
 DISBURSEMENTS:	
Salary/Benefits	230,421
Intergovernmental Disbursements	4,035,016
Supplies and Materials	5,756
Professional Services	59,256
Rent, Advertising, and Operating	43,066
Capital	<u>13,534</u>
Total Disbursements	<u>4,387,049</u>
Excess Receipts Over (Under) Disbursements	577,541
 Fund Balances, Beginning of Year	<u>778,420</u>
 Fund Balances, End of Year	<u>\$1,355,961</u>

Intergovernmental revenue represented 99% of total 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 also 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.

Capital Assets and Debt Administration

The Council has no capital assets and no debt.

Budgetary Highlights

The Council made no revisions to the original appropriations. During 2004, the Council spent 82% of the amount appropriated in the General fund. The Council's 2004 financial statements include budgetary statements for the General, Help Me Grow (HMG) and Wellness funds.

**MONTGOMERY COUNTY FAMILY & CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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 monies 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, 2004**

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$1,355,961</u>
Total Assets	<u><u>1,355,961</u></u>
Net Assets	
Restricted (Special Revenue)	83,963
Unrestricted (General)	<u>1,271,998</u>
Total Net Assets	<u><u>\$1,355,961</u></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, 2004**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities			
General Government	\$352,033	\$18,800	(\$333,233)
Social Services	4,035,016	4,494,516	459,500
	<hr/>	<hr/>	<hr/>
Total Governmental Activities	<u>\$4,387,049</u>	<u>\$4,513,316</u>	<u>126,267</u>
General Receipts			
Human Services Levy			445,250
Miscellaneous			6,024
			<hr/>
Total General Receipts			<u>451,274</u>
Change in Net Assets			577,541
Net Assets Beginning of Year			<hr/> <u>778,420</u>
Net Assets End of Year			<hr/> <u>\$1,355,961</u>

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, 2004**

	<u>General</u>	<u>Help Me Grow (HMG)</u>	<u>Wellness</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$1,271,998	\$83,963		\$1,355,961
Total Assets	<u>1,271,998</u>	<u>83,963</u>		<u>1,355,961</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	12,951	1,899,479		1,912,430
Unreserved:				
Undesignated, Reported in:				
General Fund	1,259,047			1,259,047
Special Revenue		(1,815,516)		(1,815,516)
Total Fund Balances	<u>\$1,271,998</u>	<u>\$83,963</u>	<u>\$0</u>	<u>\$1,355,961</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Help Me Grow (HMG)</u>	<u>Wellness</u>	<u>Total Governmental Funds</u>
Receipts				
Intergovernmental	\$464,050	\$4,000,119	\$494,397	\$4,958,566
Miscellaneous	6,024			6,024
Total Receipts	<u>470,074</u>	<u>4,000,119</u>	<u>494,397</u>	<u>4,964,590</u>
Disbursements				
Salary and Benefits	230,421			230,421
Intergovernmental Disbursements		3,540,619	494,397	4,035,016
Supplies & Materials	5,756			5,756
Professional Services	59,256			59,256
Rent, Advertising, and Operating	43,066			43,066
Capital	13,534			13,534
Total Disbursements	<u>352,033</u>	<u>3,540,619</u>	<u>494,397</u>	<u>4,387,049</u>
Change in Fund Balances	118,041	459,500		577,541
Fund Balances Beginning of Year	<u>1,153,957</u>	<u>(375,537)</u>		<u>778,420</u>
Fund Balances End of Year	<u><u>\$1,271,998</u></u>	<u><u>\$83,963</u></u>		<u><u>\$1,355,961</u></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
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Membership Contributions	\$106,000	\$106,000		(\$106,000)
Human Services Levy	418,750	418,750	445,250	26,500
Miscellaneous	20,000	20,000	24,824	4,824
Total Receipts	<u>544,750</u>	<u>544,750</u>	<u>470,074</u>	<u>(74,676)</u>
Disbursements				
Personnel Related	230,831	230,831	230,421	410
Supplies and Materials	15,267	15,267	7,181	8,086
Professional Services	107,820	107,820	70,782	37,038
Rent, Advertising and Operating	67,000	67,000	43,066	23,934
Capital	25,378	25,378	13,534	11,844
Total Disbursements	<u>446,296</u>	<u>446,296</u>	<u>364,984</u>	<u>81,312</u>
Receipts Over Disbursements	98,454	98,454	105,090	6,636
Fund Balance Beginning of Year	1,125,492	1,125,492	1,125,492	
Prior Year Encumbrances Appropriated	28,465	28,465	28,465	
Fund Balance End of Year	<u><u>\$1,252,411</u></u>	<u><u>\$1,252,411</u></u>	<u><u>\$1,259,047</u></u>	<u><u>\$6,636</u></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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$3,326,335	\$3,326,335	\$4,000,119	\$673,784
Total Receipts	<u>3,326,335</u>	<u>3,326,335</u>	<u>4,000,119</u>	<u>673,784</u>
Disbursements				
Contractual Services	2,289,257	2,289,257	2,374,069	(84,812)
Intergovernmental Disbursements	2,690,574	2,690,574	3,066,029	(375,455)
Total Disbursements	<u>4,979,831</u>	<u>4,979,831</u>	<u>5,440,098</u>	<u>(460,267)</u>
Receipts (Under) Disbursements	(1,653,496)	(1,653,496)	(1,439,979)	213,517
Fund Balance Beginning of Year	(2,029,033)	(2,029,033)	(2,029,033)	
Prior Year Encumbrances Appropriated	<u>1,653,496</u>	<u>1,653,496</u>	<u>1,653,496</u>	
Fund Balance End of Year	<u>(\$2,029,033)</u>	<u>(\$2,029,033)</u>	<u>(\$1,815,516)</u>	<u>\$213,517</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, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$550,000	\$550,000	\$494,397	(\$55,603)
Total Receipts	<u>550,000</u>	<u>550,000</u>	<u>494,397</u>	<u>(55,603)</u>
Disbursements				
Contractual Services	550,000	550,000	494,397	55,603
Total Disbursements	<u>550,000</u>	<u>550,000</u>	<u>494,397</u>	<u>55,603</u>
Receipts Over (Under) Disbursements	0	0	0	0
Fund Balance Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

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

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

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 administrative of justice.” The 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.

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 the 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 invents new approaches to achieve better results for families and children;
- 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”;
- 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.

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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

These financial statements follow the basis of accounting the Auditor of State prescribes or permits.

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

2. Fund Financial Statements

During the year, the Council segregates transactions related to certain Council functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Council at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Help Me Grow (HMG) Fund – The Help Me Grow (HMG) Fund is used to account for revenue received and expended from State Help Me Grow and Federal TANF grant monies.

Wellness Fund – The Wellness Fund is used to account for revenue received and expended from Federal TANF grant monies.

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 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 at 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 limitations on their use.

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

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 appropriations 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 Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control has been established by Council at the fund level.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by 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.

3. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2004, the Council revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

4. 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 \$1,355,961. The Montgomery County Board of 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.

5. CONTRACTUAL COMMITMENTS

At December 31, 2004, the Council had \$2,332,373 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>
Fidelity Health Care	\$31,680
Kettering Medical Center	45,855
Montgomery County Educational Service Center	969,246
Greater Dayton Area Hospital Association	852,698
Catholic Social Services	106,650
Abstinence Resource Center	27,706
Dayton Urban League	80,200
Girl Scouts of Buckeye Trails	175,575
YWCA	23,467
Planned Parenthood	19,296
Total:	<u><u>\$2,332,373</u></u>

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

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

6. 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; errors 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 payment 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.

7. PENSION OBLIGATIONS

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer 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 provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. 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 2004, 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 2004 member contribution rates were 8.55% for members in classifications other than law enforcement and public safety. The 2004 employer contribution 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 year ended December 31, 2004 was \$16,855. Of this amount, 87.3% has been contributed for 2004 with the remaining 12.7%, which is the December, 2004 employer match, to be paid in January, 2005.

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

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

8. POSTEMPLOYMENT 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 recipients and primary survivor 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 Postemployment Benefit 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 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

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 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually plus an additional factor ranging from 1 to 6 percent for the next eight years.

All investments are carried at market. 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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$7,060. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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

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

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

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
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)	5710021EG04	84.181	\$343,261
	5710021EG05		250,756
Total United States Department of Education			<u>594,017</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Montgomery County Department of Job and Family Services</i>			
Temporary Assistance to Needy Families (TANF) - Wellness Program	SFY04	93.558	377,291
TANF - Wellness Program	SFY05		117,106
TANF - Help Me Grow Program	SFY04		1,169,700
TANF - Help Me Grow Program	SFY05		890,119
Total United States Department of Health and Human Services			<u>2,554,216</u>
Total Federal Assistance			<u><u>\$3,148,233</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, 2004**

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.

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**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***

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

To Members of the Council:

We have audited the financial statements of the governmental activities and each major fund of the Montgomery County Family and Children First Council (the Council) as of and for the year ended December 31, 2004 which collectively comprise the Council's basic financial statements and have issued our report thereon dated November 10, 2005, wherein we noted that the Council revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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 10, 2005, we reported a matter related to noncompliance we did not deem a material citation.

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Montgomery County Family and Children First Council
Montgomery County
Independent Accountants' Report on Internal Control Over Financial Reporting
And On Compliance and Other Matters *Required By Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the resource management committee, management, the Council, federal awarding agencies, and pass-through entities. 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 10, 2005



Auditor of State Betty Montgomery

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

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

To the Members of 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, 2004. 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 those 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, 2004.

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.

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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 a 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.

We intend this report solely for the information and use of the resource management committee, management, the Council, federal awarding agencies, and pass-through entities. 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 10, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #93.558: Temporary Assistance to Needy Families (TANF)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**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.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	OMB Circular A-133, Subpart C, Section .300 – The Council failed to identify the total amount of federal expenditures disbursed during 2002.	Yes	Finding No Longer Valid



**Auditor of State
Betty Montgomery**

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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
DECEMBER 6, 2005**