



**Auditor of State
Betty Montgomery**

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

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**Auditor of State
Betty Montgomery**

Family and Children First Council
Defiance County
644 Clinton Street
Defiance, Ohio 43512-2637

To the Council:

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

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

Betty Montgomery
Auditor of State

June 15, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Family and Children First Council
Defiance County
644 Clinton Street
Defiance, Ohio 43512-2637

To the Council:

We have audited the accompanying financial statements of Family and Children First Council, Defiance County, (the Council) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Council

does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since the Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the year ended December 31, 2004. The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 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 opine on the internal control over financial reporting or on compliance, that report describes the scope our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

June 15, 2005

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Intergovernmental | \$48,002 | \$205,331 | \$253,333 |
| Other Revenue | 33,185 | | 33,185 |
| Total Cash Receipts | <u>81,187</u> | <u>205,331</u> | <u>286,518</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Salaries | 36,810 | 63,812 | 100,622 |
| Insurance | 6,917 | 25,448 | 32,365 |
| Opers/Workman's Compensation | 5,182 | 8,558 | 13,740 |
| Family Support | 725 | 2,826 | 3,551 |
| Contract Services | | 36,872 | 36,872 |
| Administration | | 8,600 | 8,600 |
| MR/DD Program Services | | 54,855 | 54,855 |
| Rent | 1,845 | 2,460 | 4,305 |
| Juvenile Probation Cluster | 1,018 | | 1,018 |
| Ohio Children's Trust | 14,550 | | 14,550 |
| No Tobacco Program | 1,317 | | 1,317 |
| Utilities | 7,141 | 2,320 | 9,461 |
| Supplies | 996 | 4,362 | 5,358 |
| Training - Grant, Conferences, and Travel | 2,564 | 4,102 | 6,666 |
| Miscellaneous | 1,282 | 5,543 | 6,825 |
| Total Cash Disbursements | <u>80,347</u> | <u>219,758</u> | <u>300,105</u> |
| Total Cash Receipts Over/ (Under) Cash Disbursements | <u>840</u> | <u>(14,427)</u> | <u>(13,587)</u> |
| Other Financing Receipts and (Disbursements): | | | |
| Advances-In | 13,000 | 15,000 | 28,000 |
| Advances-Out | (15,000) | (13,000) | (28,000) |
| Total Other Financing Receipts/(Disbursements) | <u>(2,000)</u> | <u>2,000</u> | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (1,160) | (12,427) | (13,587) |
| Fund Cash Balances, January 1 | <u>55,628</u> | <u>32,239</u> | <u>87,867</u> |
| Fund Cash Balances, December 31 | <u>\$54,468</u> | <u>\$19,812</u> | <u>\$74,280</u> |

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

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Intergovernmental | \$59,534 | \$290,271 | \$349,805 |
| Other Revenue | 35,421 | 6,044 | 41,465 |
| Total Cash Receipts | <u>94,955</u> | <u>296,315</u> | <u>391,270</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Salaries | 45,114 | 53,556 | 98,670 |
| Insurance | 10,956 | 21,380 | 32,336 |
| OPERS/Workman's Compensation | 7,209 | 8,738 | 15,947 |
| Summer Program | | 7,486 | 7,486 |
| Contract Services | | 63,393 | 63,393 |
| Ohio Childrens Trust | 12,025 | | 12,025 |
| Administration | | 8,626 | 8,626 |
| MR/DD Program Services | | 65,994 | 65,994 |
| Health Department Program Services | | 39,169 | 39,169 |
| Rent | | 3,690 | 3,690 |
| Baby Think It Over Program | | 6,000 | 6,000 |
| Family Support | | 5,710 | 5,710 |
| Promo Education | | 1,072 | 1,072 |
| Utilities | 6,505 | 13,750 | 20,255 |
| Supplies | 1,484 | 2,648 | 4,132 |
| Training - Grant, Conferences, and Travel | 2,346 | 5,032 | 7,378 |
| Miscellaneous | 7,151 | 6,412 | 13,563 |
| Total Cash Disbursements | <u>92,790</u> | <u>312,656</u> | <u>405,446</u> |
| Total Cash Receipts Over/ (Under) Cash Disbursements | <u>2,165</u> | <u>(16,341)</u> | <u>(14,176)</u> |
| Other Financing Receipts and (Disbursements): | | | |
| Advances-In | 13,000 | 13,000 | 26,000 |
| Advances-Out | (13,000) | (13,000) | (26,000) |
| Total Other Financing Receipts/(Disbursements) | | | |
| Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Disbursements | 2,165 | (16,341) | (14,176) |
| Fund Cash Balances, January 1 | <u>53,463</u> | <u>48,580</u> | <u>102,043</u> |
| Fund Cash Balances, December 31 | <u>\$55,628</u> | <u>\$32,239</u> | <u>\$87,867</u> |

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

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

- a. The director of the board of alcohol, drug addiction, and mental health services that serves the county, or, in the case of a county that has a board of alcohol and drug addiction services and a community mental health board, the directors of both boards;
- b. The health commissioner of the board of health of each city or general health district in the county, or their designees;
- c. The director of the county department of job and family services;
- d. The executive director of the county agency responsible for the administration of children services pursuant to section 5153.15 of the Revised Code;
- e. The superintendent of the county board of mental retardation and developmental disabilities;
- f. The county's juvenile court judge senior in service;
- g. The superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the county, as determined by the department of education, which shall notify each county of its determination at least biennially;
- h. A school superintendent representing all other school districts with territory in the county, as designated at a biennial meeting of the superintendents of those districts;
- i. A representative of the largest city in the county;
- j. The chair of the board of county commissioners, or an individual designated by the board;
- k. A representative of the regional office of the department of youth services;
- l. A representative of the county's head start agencies, as defined in section 3301.31 of the Revised Code;
- m. A representative of the county's early intervention collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986";
- n. At least three individuals representing the interests of families in the county. Where possible, the number of members representing families shall be equal to 20 percent of the council's remaining membership.

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

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

A county family and children first council may invite any other local public or private agency or group that funds, advocates, or provides services to children to have a representative become a permanent or temporary member of the council.

A county council's statutory responsibilities include the following:

- a. Refer to the cabinet council those children for whom the council cannot provide adequate services;
- b. Make periodic reports to the cabinet council regarding the number of children referred to the county council and the progress made in meeting the needs of each child;
- c. Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invents new approaches to achieve better results for families and children;
- d. Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the department of health for early intervention services under the "Education of the Handicapped Act Amendments of 1986";
- e. Maintain an accountability system to monitor the council's progress in achieving its purposes;
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted. The primary source

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

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

of revenue for Council operations consists of state grants. The amount provided is based on the Council's annual budget and the amount needed to fulfill Council obligations.

2. Special Revenue Funds

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

Ohio Wellness Block Grant – Federal Grant to be used for programs aimed at reducing Teen Pregnancy, Child Abuse, and Neglect.

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

D. Fiscal Agent

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

E. Budgetary Process

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

A summary of 2004 and 2003 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

The Defiance County Treasurer maintains a cash pool used by all the County's funds, including those of the Family and Children First Council. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash on deposit with the County at December 31, 2004 was \$ 74,280 and at December 31, 2003 was \$ 87,867. The County as fiscal agent for the Council is responsible for maintaining adequate depository collateral for all funds in the agent's pooled and deposit accounts.

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$105,900 | \$81,187 | (\$24,713) |
| Special Revenue | 249,667 | 205,331 | (44,336) |
| Total | \$355,567 | \$286,518 | (\$69,049) |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$172,083 | \$80,347 | \$91,736 |
| Special Revenue | 203,341 | 219,758 | (16,417) |
| Total | \$375,424 | \$300,105 | \$75,319 |

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$83,845 | \$94,955 | \$11,110 |
| Special Revenue | 322,020 | 296,315 | (25,705) |
| Total | \$405,865 | \$391,270 | (\$14,595) |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$83,845 | \$92,790 | (\$8,945) |
| Special Revenue | 301,729 | 312,656 | (10,927) |
| Total | \$385,574 | \$405,446 | (\$19,872) |

4. RETIREMENT SYSTEMS

The Council's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The County contributed an amount equal to 13.55% of participants' gross salaries. The Board has paid all contributions required through December 31, 2004.

**FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

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

5. RISK MANAGEMENT

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

6. CONTINGENT LIABILITIES

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

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**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
Defiance County
644 Clinton Street
Defiance, Ohio 43512-2637

To the Members of Council:

We have audited the financial statements of Family and Children First Council, Defiance County, (the Council) as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated June 15, 2005, wherein we noted that the Council prepared its financial statements using accounting practices the Auditor of State established rather than accounting principals generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures 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. In a separate letter to the Council's management dated December 31, 2004 and 2003, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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

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

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 June 15, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Members of Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 15, 2005



**Auditor of State
Betty Montgomery**

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**DEFIANCE FAMILY AND CHILDREN FIRST COUNCIL
DEFIANCE COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**