



**Auditor of State  
Betty Montgomery**



FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
FAYETTE COUNTY

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**Auditor of State  
Betty Montgomery**

Fayette County Family and Children First Council  
Fayette County  
133 South Main Street  
Washington Courthouse, Ohio 43160

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 cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

January 24, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Fayette County Family and Children First Council  
Fayette County  
133 South Main Street  
Washington Courthouse, Ohio 43160

To the Council:

We have audited the accompanying financial statements of the Fayette County Family and Children First Council, Fayette County, Ohio (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 this Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2004, or their 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 Fayette County Family and Children First Council, Fayette County, Ohio as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years 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 January 24, 2006, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

January 24, 2006



**FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
FAYETTE 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Intergovernmental	\$ 18,800	\$ 191,598	\$ 210,398
Total Cash Receipts	18,800	191,598	210,398
<b>Cash Disbursements:</b>			
Contract Services	2,802	155,428	158,230
Miscellaneous	20,981	9,779	30,760
Total Cash Disbursements	<u>23,783</u>	<u>165,207</u>	<u>188,990</u>
Total Receipts Over/(Under) Disbursements	(4,983)	26,391	21,408
Fund Cash Balances, January 1	<u>23,706</u>	<u>14,111</u>	<u>37,817</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 18,723</u></b>	<b><u>\$ 40,502</u></b>	<b><u>\$ 59,225</u></b>

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

**FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
FAYETTE 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**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Intergovernmental	\$ 20,000	\$ 223,872	\$ 243,872
Total Cash Receipts	20,000	223,872	243,872
<b>Cash Disbursements:</b>			
Contract Services	2,021	237,090	239,111
Miscellaneous	25,837	29,789	55,626
Total Cash Disbursements	27,858	266,879	294,737
Total Receipts (Under) Disbursements	(7,858)	(43,007)	(50,865)
Fund Cash Balances, January 1	31,564	57,118	88,682
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 23,706</u></b>	<b><u>\$ 14,111</u></b>	<b><u>\$ 37,817</u></b>

**FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

- a. At least three individuals whose families are or have received services from an agency which is represented on the council. If possible, twenty per cent of the council's membership should consist of members representing families.
- b. The director of the community mental health board.
- c. The director of the county ADAMH board. For counties served by a joint ADAMH board, the joint board's director must designate a member to participate on the county's council.
- d. A representative from each city board of health and general health district in the county. If there are more than two health districts, then the membership is limited to the commissioners of the two districts with the largest populations.
- e. The director of the county department of human services.
- f. The executive director of the county children's services board.
- g. The superintendent of the county board of MRDD.
- h. The administrative or the judge senior in service or his designee for the county's juvenile court.
- i. The superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the county.
- j. The school superintendent representing all other school districts within the territory of the county, as designated at a biennial meeting of the superintendents of those districts.
- k. A representative of the municipal corporation with the largest population in the county.
- l. The chair of the board of county commissioners or a designee.
- m. A representative from the regional office of the Department of Youth Services.
- n. A representative of the county's head start agencies.
- o. A representative of the county's early intervention collaborative.
- p. A representative of the local nonprofit entity that funds, advocates or provides services to children and families.

**FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

A county council's statutory responsibilities include the following:

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

**Administrative Council**

The Administrative Council is a governing and policy making body. The Council is responsible for determining the need for staff positions pursuant to established goals, objectives, and policy statements. This committee is responsible for the creation of all standing committees and task groups of the Council.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Fund Accounting**

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

**FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. General Fund**

The General Fund is the general operating fund of the Council. It is used to account for all financial resources, except those required by law or contract to be accounted for in another fund. The Council maintains a General Fund for awards to the Council funded from state sources. During 2004 and 2003 the following programs were awarded to the Council: Council Administrative Funds Grant.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

The Council maintains a special revenue fund for awards to the Council funded from state sources. During 2004 and 2003 the following programs were awarded to the Council: Ohio Wellness Block Grant, Cluster Fund, and Help me Grow.

**D. Fiscal Agent**

The Fayette County Auditor serves as the Council's fiscal officer. The Fayette County Department of Job and Family Services serves as the Council's administrative agent.

**E. Service Coordination Committee**

The purpose of the Family and Children First Council is to identify and facilitate ways in which child/family serving agencies can enhance services in the most efficient and effective manner through collaborative strides. The Service Coordination Committee was established to develop and coordinate services for families and children on individual case specific bases.

A Service Coordination Committee Clerk has been contracted to maintain and monitor various clerical and information duties as they relate to the Committee. Because the Family and Children First programs administered by the Clerk affect all of the agencies within the Council membership, the salary of this employee is paid from the State Administrative Grant received by the Council.

**F. Financial Review Committee**

The Finance Review Committee will consist of Council members, with the opportunity for nonmembers participation if deemed appropriate by Council. The Finance Review Committee will work with the Treasurer and Fiscal Agent to oversee financial matters of the Council by monitoring reports, expenditures, contracts, and additional matters with financial impact on Council operations.

**2. EQUITY IN POOLED CASH**

The Fayette County Treasurer maintains a cash and investment pool used by all of Fayette County's funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments, and the County Treasurer is responsible for meeting compliance. The Council's carrying amounts of cash on deposit with the County Treasurer at December 31, 2004 and 2003 was \$59,225 and \$37,817 respectively.

**FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
FAYETTE COUNTY**

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

**3. RISK MANAGEMENT**

The Council is covered under Fayette County's insurance policy.



## **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***

Fayette County Family and Children First Council  
Fayette County  
133 South Main Street  
Washington Courthouse, Ohio 43160

To the Council:

We have audited the financial statements of the Fayette County Family and Children First Council, Fayette County, Ohio (the Council), as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated January 24, 2006, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statement and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a 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*.

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



**Betty Montgomery**  
Auditor of State

January 24, 2006



**FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Reportable Condition - Financial Reporting\***

The Council has named the Fayette County Auditor as its fiscal agent. The Council's General (unrestricted) and Special Revenue (restricted) funds are commingled in two funds on the county's accounting system. The accounting system's functions and object codes did not facilitate the tracing of receipts and expenditures to the Council's Annual Financial Report. The present accounting system being maintained by the fiscal agent does not identify which transactions relate to each fund. Additionally, the current accounting system does not provide the fund cash balances for each respective restricted fund source. This resulted in a cumbersome reconciliation and reconstruction of the Council's financial activity as reported on the annual report. However, we were able to perform additional procedures to verify fund balances and the classification of receipts and expenditures at the fund level. This lack of detailed accounting records could adversely affect management's decisions and could lead to inaccurate financial reporting.

We recommend that the Administrative Agent work with the County Auditor as the Fiscal Agent of the Council to follow the guidance as provided in *Auditor of State Bulletin 98-007* by doing the following:

- Work with the Council's fiscal agent so that a separate fund is established within their accounting system to maintain the Council's activity of all their unrestricted monies and establish and maintain additional funds so there is one fund for each source of restricted monies.
- Establish additional detailed disbursement account codes under their unrestricted and restricted funds for the purpose of recording related appropriations and disbursements utilizing the breakdown of expenditures provided in the bulletin. This will provide a detailed disbursement ledger for each related item on the Council's annual report which will facilitate the monthly and annual reconciliation and annual report preparation process.
- Establish accounting procedures to facilitate the proper accounting of Help Me Grow- TANF funds received so that they are accounted for in their own separate Council restricted monies fund.

We also recommend the Council reconcile its internal financial records with the financial information the fiscal agent provides them on a monthly basis, so that any differences can be identified and corrected in a timely manner, and that a copy of that reconciliation be provided to the fiscal agent. This will prevent the double reporting of Council funds, provide consistency in the budgetary and financial reporting process, and provide the most effective and efficient information for management and auditing purposes.

\* We also reported this matter in our audit of the FY 2002 and 2001 financial statements.





**Auditor of State  
Betty Montgomery**

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**FAYETTE COUNTY FAMILY AND CHILDREN FIRST COUNCIL**

**FAYETTE 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  
FEBRUARY 21, 2006**