

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

AUDIT REPORT

JANUARY 1, 2005 - DECEMBER 31, 2006



Mary Taylor, CPA

Auditor of State

Council Members
Morgan County Family and Children First Council
155 East Main Street
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditors' Report* of the Morgan County Family and Children First Council, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 2, 2007

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**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY
JANUARY 1, 2005 - DECEMBER 31, 2006**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Family and Children First Council
Morgan County
155 East Main Street
McConnelsville, Ohio 43756

We have audited the accompanying financial statements of the Family and Children First Council, Morgan County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Family and Children First 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Family and Children First 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, 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 years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Family and Children First Council's combined funds as of December 31, 2006 and 2005, and their changes in financial position.

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, Morgan County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Council to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. 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 a report dated August 2, 2007, on our consideration of the Family and Children First Council's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 2, 2007

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Intergovernmental	\$ 33,231	\$ 136,721	\$ 169,952
Earnings on Investments	28	13	41
Total Cash Receipts	33,259	136,734	169,993
Cash Disbursements:			
Current:			
Contractual Services-Administration	16,603	16,077	32,680
Audit	114	-	114
Other	-	2,856	2,856
Contractual-Client Services	-	151,880	151,880
Interest Expended	-	13	13
Total Cash Disbursements	16,717	170,826	187,543
Total Receipts Over/(Under) Cash Disbursements	16,542	(34,092)	(17,550)
Fund Cash Balances, January 1	9,395	26,927	36,322
Fund Cash Balances, December 31	\$ 25,937	\$ (7,165)	\$ 18,772

See notes to financial statements.

**FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Intergovernmental	\$ 20,000	\$ 220,525	\$ 240,525
Earnings on Investments	3	-	3
Total Cash Receipts	<u>20,003</u>	<u>220,525</u>	<u>240,528</u>
Cash Disbursements:			
Current:			
Contractual Services-Administration	18,444	9,759	28,203
Audit	2,172	-	2,172
Other	4	1,490	1,494
Contractual-Client Services	-	176,803	176,803
Interest Expended	-	2	2
Total Cash Disbursements	<u>20,620</u>	<u>188,054</u>	<u>208,674</u>
Total Receipts Over/(Under) Cash Disbursements	(617)	32,471	31,854
Fund Cash Balances, January 1	<u>10,012</u>	<u>(5,544)</u>	<u>4,468</u>
Fund Cash Balances, December 31	<u>\$ 9,395</u>	<u>\$ 26,927</u>	<u>\$ 36,322</u>

See notes to financial statements.

FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES

Description of the Entity

Ohio Revised Code Section 121.37 created the Ohio Family and Children First Cabinet Council and permitted the Board of County Commissioners in each County to establish County and Family First Councils. A Board of County Commissioners may invite any other 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 its County Council. Each County must include the following individuals.

1. At least three individuals whose families are or have received services from an agency which is represented on the Council or another County's Council. Where possible, the number of members representing families shall be equal to twenty percent of the Council's membership;
2. The Director of the Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMH) that serves the County, or in the case of a County that has an ADAMH Board and a Community Mental Health Board, the Directors of both Boards. If the ADAMH Board covers more than one County, the Director may designate a person to participate on the County's Council;
3. The Health Commissioner, or the Commissioner's designee, of the Board of Health of each City and General Health District in the County. If the County has more than two Health Districts, the Health Commissioners of the two Districts with the largest population;
4. The Director of the County Department of Job and Family Services;
5. The Executive Director of the County agency responsible for the administration of children's services pursuant to the Ohio Rev. Code Section 5153.15;
6. The Superintendent of the County Board of Mental Retardation and Developmental Disabilities;
7. The County's Juvenile Court Judge senior in service or another judge of the Juvenile Court designated by the Administrative Judge or, where there is no Administrative Judge, by the Judge senior in service;
8. The Superintendent of the City, Exempted Village, or Local School District with the largest number of pupils residing in the County, as determine by the Ohio Department of Education at least biennially;
9. 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;
10. A representative of the municipal corporation with the largest population in the County;
11. The President of the Board of County Commissioners, or an individual designated by the Board;
12. A representative from the regional office of the Ohio Department of Youth Services;
13. A representative of the County's Head Start Agencies, as defined in the Ohio Rev. Code Section 3301.31;
14. 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 of 1986"; and,

FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES (Continued)

Description of the Entity (Continued)

15. A representative of a local nonprofit entity that funds, advocates or provides services to children and families.

A County Council's statutory responsibilities include the following:

1. Refer to the Cabinet Council those children for whom the Council cannot provide adequate services;
2. Develop and implement a process that annually evaluates and prioritizes services, fills service gaps where possible, and invents new approaches to achieve better results for families and children.
3. Participate in the development of a countywide comprehensive, coordinated, multidisciplinary, 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";
4. Maintain an accounting system to monitor the Council's progress in achieving results for families and children; and,
5. Establish a mechanism to ensure ongoing input from a broad representative of families who are receiving services with the County system.

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.

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:

General Fund

Administrative Grant Fund - This fund is used to account for state grant funds to be used for parental involvement, administrative support, or training.

FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Fund:

Help Me Grow Grant Fund - This fund is used to account for federal and state grant funds to be used for families and children ages birth to three years and pregnant women who are at risk for abuse, neglect, or developmental delay.

Fiscal and Administrative Agents

The Washington-Morgan Community Action Program Corporation served as the fiscal agent for the Council for the period January 1, 2005 through June 30, 2006. Morgan County serves as the fiscal agent beginning July 1, 2006. The Morgan County Commissioners serve as the administrative agent for the Council. Council funds are maintained in a separate agency fund by the County.

Pooled Cash

The Council's cash was maintained by the Washington-Morgan Community Action Program Corporation as of December 31, 2005. The Council's cash is maintained by Morgan County in its cash pool as of December 31, 2006, its fiscal agent. The Ohio Revised Code prescribes allowable deposits and investments and the Council is responsible for compliance. As of December 31, 2006 and 2005, the Council's share of each cash and investment pool was as follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 18,772	\$ 36,322

All risks associated with such deposits are the responsibility of the Council.

Budgetary Process

The Council is required by law to file an annual estimate of expenditures and revenue with Morgan County. This estimate is to be adopted by the Council and the Morgan County Commissioners. The Council and the County Commissioners ensure that the Council's expenditures do not exceed appropriations. the Council did file the required budget in 2005 and 2006. Budgets were filed based on the grant program year, which ends June 30. As a result, it was not practical to present calendar year information.

FAMILY AND CHILDREN FIRST COUNCIL
MORGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

2. SOCIAL BENEFIT PLAN AND RETIREMENT SYSTEM

The Community Action Program Corporation of Washington-Morgan Counties, is a not-for-profit agency and does not participate in the Ohio Public Employees Retirement System (OPERS). As the fiscal agent for the Council, Community Action served as the employer for Council personnel for the period January 1, 2005 through June 30, 2006. The Council's employees contributed to Social Security and Medicare. All withholdings have been paid through June 30, 2006.

As of July 1, 2006 through December 31, 2006, the Council employees belongs 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.

The Ohio Revised Code also prescribes contribution rates. For 2006, OPERS members contributed 9.0% of their gross salaries and the Council contributed an amount equaling 13.70% of participants gross salaries. The Council has paid all contributions required through December 31, 2006.

3. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Council are subject to audit and adjustments. Grantors may require the Council to refund any disallowed costs. management cannot presently determine amounts which may be disallowed. However, based on prior experience, management believes any refunds would be immaterial.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Mayor and Council Council
Family and Children First Council
155 East Main Street
McConnelsville, Ohio 43756

We have audited the financial statements of The Family and Children First Council, Morgan County as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 2, 2007, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered Family and Children First Council's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we have reported to management in a separate letter dated August 2, 2007.

Compliance and Other Matters

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

This report is intended for the information of the management, Council and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 2, 2007



Mary Taylor, CPA
Auditor of State

FAMILY AND CHILDREN FIRST COUNCIL

MORGAN 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
OCTOBER 16, 2007**