

FINANCIAL STATEMENTS – CASH BASIS AND
SUPPLEMENTAL INFORMATION

Lucas County Family and Children First Council
Year Ended December 31, 2006



Mary Taylor, CPA
Auditor of State

Council Members
Lucas County Family and Children First Council
One Government Center, Suite 580
Toledo, Ohio 43604-2249

We have reviewed the *Report of Independent Auditors* of the Lucas County Family and Children First Council, prepared by Ernst & Young LLP, for the audit period January 1, 2006 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.

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 Lucas County Family and Children First Council is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 23, 2007

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Lucas County Family and Children First Council

Financial Statements – Cash Basis and Supplemental Information

Year Ended December 31, 2006

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Report of Independent Auditors on Basic Financial Statements and Schedule of Expenditures on Federal Awards

The Lucas County Family and Children First Council
Toledo, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucas County Family and Children First Council, Lucas County, (the Council), as of and for the year ended December 31, 2006, 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 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. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 2, these financial statements and notes have been prepared on the basis of cash receipts and disbursements, which is a comprehensive accounting basis other than accounting principles accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of December 31, 2006, and the respective changes in cash financial position for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2007 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 considered in assessing the results of our audit.

The Management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on pages 25 through 31 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2006, is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 27, 2007

Lucas County Family and Children First Council

Management's Discussion and Analysis

Year Ended December 31, 2006

This discussion and analysis of the Lucas 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, 2006, 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.

Financial Highlights

Key highlights for 2006 are as follows:

- Total net assets increased \$313,903 during fiscal year 2006, which represents a 174% increase from fiscal year 2005. The increase was the result of a fund balance increase in restricted funds during 2006 and mostly reflects improved invoicing to grantors and reduced lag times between the time of invoicing and the time the Council actually receives and records the receipts.
- The Council's revenues are support from the Federal government, including Temporary Assistance for Needy Families (TANF), Child Abuse and Prevention Treatment Act (CAPTA), and Part C funds; State of Ohio general revenue funds; and local revenues including pooled fund contributions to support Children's Cluster. These receipts are 100% of the Council's revenues.
 - The Ohio Family and Children First Council provided \$20,000 in support of general fund operations through the State Administrative Grant.
 - The Ohio Department of Health provided \$72,000 in federal CAPTA funds, \$653,536 in federal Part C and \$362,440 in state general funds for the Help Me Grow program.
 - The Lucas County Department of Job and Family Services provided \$310,694 in federal TANF funds for the Help Me Grow and Learn program, \$200,922 for the Bridges out of Poverty Training program, and \$1,122,009 to support the Wellness Program.
 - The Ohio Department of Job and Family Services provided \$1,924,529 in federal TANF funds (passed through the Lucas County Department of Job and Family Services) for the Help Me Grow program.

Lucas County Family and Children First Council

Management's Discussion and Analysis (continued)

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.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Council has elected to present its financial statements on a cash basis of accounting as permitted by the Auditor of State. 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.

Lucas County Family and Children First Council

Management's Discussion and Analysis (continued)

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Council did financially during 2006, 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 cash receipts and disbursement activity during 2006.

Table 1 provides a summary of the Council's net assets for 2006 compared to 2005 on a cash basis:

**Table 1
Net Assets**

	December 31	
	2006	2005
Assets		
Cash and cash equivalents	\$ 493,941	\$ 180,038
Total assets	<u>\$ 493,941</u>	<u>\$ 180,038</u>
Net assets		
Unrestricted	\$ 38,167	\$ 62,369
Restricted	455,774	117,669
	<u>\$ 493,941</u>	<u>\$ 180,038</u>

As mentioned previously, net assets increased \$313,903 or 174% during 2006. The primary drivers for this change in net assets over 2005 are improved invoicing to the Council's grantors, primarily Job and Family Services and reduced lag times between when invoicing occurs and when the Council is reimbursed, which greatly improved the restricted fund balances.

Lucas County Family and Children First Council

Management's Discussion and Analysis (continued)

Table 2 reflects the changes in net fund balances during 2006. This table also shows a comparison with changes in net fund balances for 2005.

Table 2
Change in Net Fund Balances

	Year Ended December 31	
	2006	2005
Receipts		
Intergovernmental	\$ 5,917,660	\$ 4,578,424
Miscellaneous	77	56,111
Total receipts	5,917,737	4,634,535
Disbursements		
Salary and benefits	580,759	493,426
Supplies	10,989	8,224
Equipment	7,015	20,944
Contract services	4,522,599	3,997,806
Training	15,127	15,815
Telephones	5,202	6,059
Administrative charges	301,591	259,612
Other	160,552	192,748
Total disbursements	5,603,834	4,994,634
Excess receipts over (under) disbursements	313,903	(360,099)
Fund balances, beginning of year	180,038	540,137
Fund balances, end of year	\$ 493,941	\$ 180,038

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, Wellness and Cluster programs through contractors in the community.

Lucas County Family and Children First Council

Management's Discussion and Analysis (continued)

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, these changes are 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, other nonfinancial factors should be considered as well as the condition of the Council's capital assets and infrastructure, the extent of the Council's reliance on nonlocal 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's 2006 financial statements include budgetary statements for the General, Help Me Grow (HMG), Wellness, Cluster, Bridges Out of Poverty, and Other (which includes miscellaneous smaller projects/programs). The Council made no revisions to the original appropriations. The variances between the budget and actual results were spread over numerous line items in the funds as discussed in the notes to the required supplementary information.

Request for Information

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 David Kontur, Executive Director, Lucas County Office of Family and Children First, One Government Center Suite 580, Toledo, Ohio 43604.

Lucas County Family and Children First Council

Statement of Net Assets – Cash Basis

December 31, 2006

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 493,941
Total assets	<u>\$ 493,941</u>
Net assets	
Unrestricted	\$ 38,167
Restricted for grant services	455,774
Total net assets	<u>\$ 493,941</u>

See accompanying notes.

Lucas County Family and Children First Council

Statement of Activities – Cash Basis

December 31, 2006

	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions
	Governmental Activities	
Governmental activities		
General government	\$ 356,757	\$ 332,478
Social services	5,247,077	5,585,182
Total governmental activities	<u>\$ 5,603,834</u>	<u>\$ 5,917,660</u>
General receipts		
Miscellaneous		77
Total general receipts		<u>77</u>
Changes in net assets		313,903
Net assets beginning of year		180,038
Net assets end of year		<u>\$ 493,941</u>

See accompanying notes.

Lucas County Family and Children First Council

Statement of Cash Basis Assets and Fund Balances
Governmental Funds

December 31, 2006

	General	Help Me Grow (HMG)	Cluster (Pooled Funds)	Other Restricted	Wellness	Bridges Out of Poverty	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 38,167	\$ 15,813	\$ 541,525	\$ (1,155)	\$ (65,479)	\$ (34,930)	\$ 493,941
Total assets	<u>\$ 38,167</u>	<u>\$ 15,813</u>	<u>\$ 541,525</u>	<u>\$ (1,155)</u>	<u>\$ (65,479)</u>	<u>\$ (34,930)</u>	<u>\$ 493,941</u>
Fund balances							
Unreserved:							
Undesignated – general fund	\$ 38,167	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 38,167
Designated – special revenue	–	15,813	541,525	(1,155)	(65,479)	(34,930)	455,774
Total fund balances	<u>\$ 38,167</u>	<u>\$ 15,813</u>	<u>\$ 541,525</u>	<u>\$ (1,155)</u>	<u>\$ (65,479)</u>	<u>\$ (34,930)</u>	<u>\$ 493,941</u>

See accompanying notes.

Lucas County Family and Children First Council

Statement of Cash Receipts, Disbursements,
and Changes in Cash Basis Fund Balances
Governmental Funds

Year Ended December 31, 2006

	General	Help Me Grow (HMG)	Cluster (Pooled Funds)	Other Restricted	Wellness	Bridges Out of Poverty	Total Governmental Funds
Receipts							
Intergovernmental	\$ 332,478	\$ 3,250,319	\$ 864,494	\$ 147,438	\$ 1,122,009	\$ 200,922	\$ 5,917,660
Miscellaneous	77	—	—	—	—	—	77
Total receipts	332,555	3,250,319	864,494	147,438	1,122,009	200,922	5,917,737
Disbursements							
Salary and benefits	232,980	153,238	120,502	46,377	—	27,662	580,759
Administrative charges	—	169,373	53,868	—	78,350	—	301,591
Supplies	3,073	4,663	1,040	1,392	797	24	10,989
Equipment	3,646	1,662	859	578	255	15	7,015
Contract services	20,129	2,401,026	882,838	79,520	933,395	205,691	4,522,599
Training	4,125	2,298	2,385	617	4,427	1,275	15,127
Telephones	1,932	1,380	855	360	442	233	5,202
Other	90,872	38,293	1,714	9,042	20,201	430	160,552
Total disbursements	356,757	2,771,933	1,064,061	137,886	1,037,867	235,330	5,603,834
Change in fund balances	(24,202)	478,386	(199,567)	9,552	84,142	(34,408)	313,903
Fund balances beginning of year	62,369	(462,573)	741,092	(10,707)	(149,621)	(522)	180,038
Fund balances end of year	\$ 38,167	\$ 15,813	\$ 541,525	\$ (1,155)	\$ (65,479)	\$ (34,930)	\$ 493,941

See accompanying notes.

Lucas County Family and Children First Council

Notes to the Financial Statements

December 31, 2006

1. Description of the Council and Reporting Entity

Description of the Entity

The Lucas County Family and Children First Council (the Council) was established in April 1993 as one of the pilot sites of the Ohio Family and Children First Initiative. The Council is a collaborative effort focused on improving outcomes for the children and families of Lucas County. The mission of the Council is “to coordinate a publicly accountable, cost effective system of services that supports health, education, and well being of our families.”

Ohio Revised Code Section 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 consists of the following individuals:

- 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;
- The health commissioner of the board of health of each city or general health Council in the county, or their designees;
- The director of the county department of human services;
- The executive director of the county agency responsible for the administration of children services pursuant to section 5153.15 of the Revised Code;
- The superintendent of the county board of mental retardation and developmental disabilities;
- The county’s juvenile court judge senior in service;
- The superintendent of the city, exempted village, or local school Council 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;
- A school superintendent representing all other school Councils with territory in the county, as designated at a biennial meeting of the superintendents of those Councils;
- A representative of the largest city in the county;

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

1. Description of the Council and Reporting Entity (continued)

- The chair of the board of county commissioners, or an individual designated by the board;
- A representative of the regional office of the department of youth services;
- A representative of the county's head start agencies, as defined in section 3301.31 of the Revised Code;
- 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;
- 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% of the Council's remaining membership.

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 membership includes all members specified by Ohio Revised Code 121.37, as well as additional at large members, including family representatives, advocates, community leaders, service providers, and religious and union leaders. At large members serve a maximum of two successive three year terms. The primary purpose of the Council is to improve child and family well-being through identifying and facilitating opportunities for improved coordination and collaboration in a manner that results in the efficient and effective provisions of services for the community's families.

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;

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

1. Description of the Council and Reporting Entity (continued)

- 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 of representation of families who are receiving services within the county system.

Additionally, in 2006 the following mandates were added pursuant to House Bill 289:

- Develop and implement the following:
- An interagency process to establish local indicators and monitor the county’s progress toward increasing child well-being;
- An interagency process to identify local priorities to increase child well-being; and an annual plan that identifies the county’s interagency efforts to increase child well-being.

Children’s Cluster

Through the Children’s Cluster, the Council provides service coordination and fiscal management to ensure that children and youth who have multi-system service needs, and their families receive essential services. Cluster representatives, at both the Executive Cluster and Services Team levels, reflect the Ohio Revised Code membership requirements. Five Cluster member systems, the Pooled Fund Group, pool funds dedicated to the funding of services for children and youth identified as eligible through the Cluster process. The primary source of revenue for operations consist of Local Agency Contributions. These are local monies contributed by Lucas County agencies, including Children Services Board, Mental Health Board, Board of Mental Retardation and Developmental Disabilities, Juvenile Court, Alcohol and Drug Addiction Services Board, Toledo Public Schools, Department of Youth Services, Department of Job and Family Services and the United Way of Greater Toledo. The amount provided by each agency is based on the annual budget and the amount of funding needed to fulfill obligations.

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

1. Description of the Council and Reporting Entity (continued)

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

2. Summary of Significant Accounting Policies

Basis of Presentation

These financial statements follow the cash basis of accounting as permitted by the Auditor of State.

The Council's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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.

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

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.

Governmental Funds

Governmental funds are those through which most governmental functions of the Council typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the Council's major governmental funds:

General Fund – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the Council.

Help Me Grow (HMG) Fund – The Help Me Grow (HMG) Fund is used to account for revenue received and expended from Federal and State funding to support Help Me Grow and Help Me Grow and Learn programs.

Cluster (Pooled Funds) – The Cluster Fund is used to account for revenue received from local Pooled Funding Agencies, including Lucas County Board of Mental Health, Lucas County Children Services, Lucas County Juvenile Court, Lucas County Board of Mental Retardation and Developmental Disabilities, Lucas County Alcohol and Drug Addiction Services Board, and Toledo Public Schools and expended for youth referred for intersystem coordination of services.

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

Bridges Out of Poverty Fund – The Bridges Out of Poverty Fund is used to account for revenue received and expended from Federal TANF funds to support the Bridges of Poverty program.

Administrative and Fiscal Agent

The Lucas County Board of Commissioners serves as the administrative and fiscal agent for the Council. The funds are maintained in a separate agency fund by the Lucas County Auditor.

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.

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.

Cash

As required by Ohio Revised Code, the Lucas County (the County) Treasurer is custodian for the Council's cash. As custodian, the County requires the Council to participate in its investment pool. The Council's assets are held in the County's cash and investment pool, and are valued at fair value. The fair value of the position in the pool is the same as the value of the pool shares.

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The County is permitted by Ohio law to deposit or invest County funds provided that they mature or are redeemable within two years from date of purchase. The County is permitted to invest or deposit in the following classification of obligations:

1. Obligations of, or backed by the faith of, the United States Government.
2. Obligations issued by and Federal agency.
3. Deposits in institutions eligible under Ohio law. All deposits are collateralized with eligible securities, as described by state statutes, which are pledged to a collateral pool for each individual financial institution, in amounts equal to at least 105% of the carrying value of all public deposits held by each institution.
4. Obligations of the State.
5. Repurchase agreements with institutions eligible under Ohio law not to exceed 30 days, where the institution agrees unconditionally to repurchase any of the securities listed in (1) or (2).
6. Commercial paper issued by any corporation incorporated under the laws of the United States or a state if both of the following conditions apply. Two nationally recognized rating agencies rank the commercial paper in either of their two highest categories; the total amount invested in commercial paper at any time does not exceed five percent of the county's total average portfolio, as determined and calculated by the investing authority.
7. Bankers acceptances, if the following conditions are met: the acceptances mature in two hundred seventy days or fewer from the date of settlement; the acceptances are eligible for purchase by the federal reserve system; the total amount invested in bankers acceptances at any time does not exceed ten percent of the county's total average portfolio, as determined and calculated by the investing authority.
8. The State Treasurer's Investment pool (STAR Ohio). Investment authority for the State Treasurer's Investment pool is established by the State Legislature and reflected in the Ohio Revised Code.

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

9. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

The Council does not have investment policies relating to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

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 cash basis of accounting utilized by the Council.

Long-Term Debt Obligations

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

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.

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.

Lucas County Family and Children First Council

Notes to the Financial Statements (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 Executive 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.

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 cash basis of accounting utilized by the Council.

3. Cash and Cash Equivalents

The Lucas County Commissioners maintain a cash pool used by all of the County's funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments. At year end, the carrying amount of the Council's deposits with the Lucas County Commissioners was \$493,941. The Lucas County Board of Commissioners is responsible for maintaining adequate depositor collateral for all funds in the County's pooled cash and deposit accounts.

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

4. Contractual Commitments

At December 31, 2006, the Council had \$645,631 in contractual commitments for services provided to children and families. These contracts will be funded by federal and state program grants, whose funding follows the State fiscal year of July 1 through June 30 rather than a calendar fiscal year.

	Amount
Contracted Provider	
Connecting Point, PO# 01536M	\$ 231
Friendship New Vision, PO# 01577M	601
St. Vincent Mercy Medical Center, PO# 01584M	627
Adelante, Inc., PO# 01436M	1,111
Harbor Behavioral Healthcare, PO# 01948M	1,464
Toledo Lucas County Regional Health District, PO# 06-C0299	2,294
Gilmore, Jasion, and Mahler, Ltd.	515
St. Vincent Mercy Medical Center, PO# 01578M	2,649
YMCA of Greater Toledo, PO# 01916M	4,895
UMADAOP, PO# 01538M	5,661
Lutheran Social Services of NW Ohio, PO# 01534M	6,280
Planned Parenthood of NW Ohio, PO# 01579M	7,275
East Toledo Family Center, # 05-C0556	8,100
SONIT Systems, Inc., PO# 06-C0307	15,620
Northriver Community Development Corporation, PO# 02068M	28,799
Family and Child Abuse Prevention Center, PO# 01417M	39,314
Lutheran Social Services of NW Ohio, PO# 01533M	39,694
Toledo Children's Hospital, PO# 01442M	54,331
St. Vincent Mercy Medical Center, PO# 01582M	62,940
East Toledo Family Center, PO# 01296M	65,680
Toledo Lucas County Regional Health District, PO# 01664M	72,249
NW Ohio Center for Families and Children, PO# 01325M	95,761
Harbor Behavioral Healthcare, PO# 01298M	129,540
Total	\$ 645,631

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

5. Risk Management

The Council is covered under Lucas County's (County) insurance policies. The County is self funded for dental, prescription drug, and health benefits. 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. The Council is charged for its proportionate share of the cost for covered employees. The County accounts for its risk management activities in Internal Service funds.

6. 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* – 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. OPERS 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 614-222-5601 or 800-222-7377.

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

6. Pension Obligations (continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006 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 2006 member contribution rates were 9.0% for members in classifications other than law enforcement and public safety. The 2006 employer contribution rate for local government employer units was 13.70% of covered payroll.

The Council's contributions for pension obligations to the traditional, combined, and member directed plans for the year ended December 31, 2006 was \$58,148.

7. Postemployment Benefits Other Than Pension Benefits

In addition to pension benefits, OPERS provides retirement, disability, survivor, and postretirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

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 Government Accounting Standards Board (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 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.5% of covered payroll was the portion that was used to fund health care.

The following assumptions and calculations were based on PERS latest actuarial review performed as of December 31, 2005.

Lucas County Family and Children First Council

Notes to the Financial Statements (continued)

7. Postemployment Benefits Other Than Pension Benefits (continued)

An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The differences between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2005 was 6.5%.

An annual increase of 4% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 6% for the next nine years. In subsequent years (10 and beyond), health care costs were assumed to increase 4% annually.

OPEB's are advance-funded on an actuarially determined basis. At December 31, 2006, the number of active contributing participants in the traditional and combined plans was 369,214. The rates stated above are the actuarially determined contribution requirements for OPERS. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective on January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan. As no information has been provided by OPERS, management is unable to determine the impact of the adoption of GASB 43, *Financial Reporting for Post Employment Benefit Plans other than Pensions* and GASB 45, *Accounting and Financial Reporting for Post Employment Benefit Plans other than Pensions*.

Required Supplementary Information

Lucas County Family and Children First Council

Statement of Cash Receipts, Disbursements, and Changes in
Cash-Basis Fund Balances – Budget and Actual – Budget Basis
General Fund

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Administrative charges	\$ 313,630	\$ 313,630	\$ 332,478	\$ 18,848
Miscellaneous	40,555	40,555	77	(40,478)
Total receipts	354,185	354,185	332,555	(21,630)
Disbursements				
Salary and benefits	238,125	238,125	232,980	5,145
Supplies	900	900	3,073	(2,173)
Equipment	5,000	5,000	3,646	1,354
Contract services	37,000	37,000	20,129	16,871
Training	4,000	4,000	4,125	(125)
Telephones	3,000	3,000	1,932	1,068
Other	65,000	65,000	90,872	(25,872)
Total disbursements	353,025	353,025	356,757	(3,732)
Change in fund balances	1,160	1,160	(24,202)	(25,362)
Fund balances beginning of year	62,369	62,369	62,369	–
Fund balances end of year	<u>\$ 63,529</u>	<u>\$ 63,529</u>	<u>\$ 38,167</u>	<u>\$ (25,362)</u>

See accompanying notes.

Lucas County Family and Children First Council

Statement of Cash Receipts, Disbursements, and Changes in
Cash-Basis Fund Balances – Budget and Actual – Budget Basis
Help Me Grow (HMG)

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 3,046,947	\$3,046,947	\$3,250,319	\$ (203,372)
Total receipts	3,046,947	3,046,947	3,250,319	(203,372)
Disbursements				
Salary and benefits	178,553	178,553	153,238	25,315
Administrative charges	191,530	191,530	169,373	22,157
Supplies	2,880	2,880	4,663	(1,783)
Equipment	2,000	2,000	1,662	338
Contract services	2,455,820	2,455,820	2,401,026	54,794
Training	3,500	3,500	2,298	1,202
Telephones	1,655	1,655	1,380	275
Other	3,000	3,000	38,293	(35,293)
Total disbursements	2,838,938	2,838,938	2,771,933	67,005
Change in fund balances	208,009	208,009	478,386	(270,377)
Fund balances beginning of year	(462,573)	(462,573)	(462,573)	–
Fund balances end of year	\$ (254,564)	\$ (254,564)	\$ 15,813	\$ (270,377)

See accompanying notes.

Lucas County Family and Children First Council

Statement of Cash Receipts, Disbursements, and Changes in
Cash-Basis Fund Balances – Budget and Actual – Budget
Basis Cluster

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 842,700	\$ 842,700	\$ 864,494	\$ 21,794
Total receipts	842,700	842,700	864,494	21,794
Disbursements				
Salary and benefits	121,392	121,392	120,502	890
Administrative charges	54,200	54,200	53,868	332
Supplies	1,800	1,800	1,040	760
Equipment	3,000	3,000	859	2,141
Contract services	1,150,000	1,150,000	882,838	267,162
Training	4,000	4,000	2,385	1,615
Telephones	920	920	855	65
Other	1,970	1,970	1,714	256
Total disbursements	1,337,282	1,337,282	1,064,061	273,221
Change in fund balances	(494,582)	(494,582)	(199,567)	295,015
Fund balances beginning of year	741,092	741,092	741,092	–
Fund balances end of year	<u>\$ 246,510</u>	<u>\$ 246,510</u>	<u>\$ 541,525</u>	<u>\$ 295,015</u>

See accompanying notes.

Lucas County Family and Children First Council

Statement of Cash Receipts, Disbursements, and Changes in
Cash-Basis Fund Balances – Budget and Actual – Budget Basis
Other Fund

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 104,327	\$ 104,327	\$ 147,438	\$ 43,111
Total receipts	104,327	104,327	147,438	43,111
Disbursements				
Salary and benefits	46,546	46,546	46,377	169
Administrative charges	5,200	5,200	–	5,200
Supplies	1,080	1,080	1,392	(312)
Equipment	1,000	1,000	578	422
Contract services	30,000	30,000	79,520	(49,520)
Training	2,000	2,000	617	1,383
Telephones	696	696	360	336
Other	3,000	3,000	9,042	(6,042)
Total disbursements	89,522	89,522	137,886	(48,364)
Change in fund balances	14,805	14,805	9,552	5,253
Fund balances beginning of year	(10,707)	(10,707)	(10,707)	–
Fund balances end of year	\$ 4,098	\$ 4,098	\$ (1,155)	\$ 5,253

See accompanying notes.

Lucas County Family and Children First Council

Statement of Cash Receipts, Disbursements, and Changes in
Cash-Basis Fund Balances – Budget and Actual – Budget Basis
Wellness Fund

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 1,122,321	\$ 1,122,321	\$ 1,122,009	\$ (312)
Total receipts	1,122,321	1,122,321	1,122,009	(312)
Disbursements				
Administrative charges	60,400	60,400	78,350	(17,950)
Supplies	1,350	1,350	797	553
Equipment	1,000	1,000	255	745
Contract services	916,500	916,500	933,395	(16,895)
Training	1,500	1,500	4,427	(2,927)
Telephones	450	450	442	8
Other	20,000	20,000	20,201	(201)
Total disbursements	1,001,200	1,001,200	1,037,867	(36,667)
Change in fund balances	121,121	121,121	84,142	(36,979)
Fund balances beginning of year	(149,621)	(149,621)	(149,621)	–
Fund balances end of year	<u>\$ (28,500)</u>	<u>\$ (28,500)</u>	<u>\$ (65,479)</u>	<u>\$ (36,979)</u>

See accompanying notes.

Lucas County Family and Children First Council

Statement of Cash Receipts, Disbursements, and Changes in
Cash-Basis Fund Balances – Budget and Actual – Budget Basis
Bridges Out of Poverty

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 156,000	\$ 156,000	\$ 200,922	\$ 44,922
Total receipts	156,000	156,000	200,922	44,922
Disbursements				
Salary and benefits	–	–	27,662	(27,662)
Administrative charges	555	555	–	555
Supplies	–	–	24	(24)
Equipment	–	–	15	(15)
Contract services	155,445	155,445	205,691	(50,246)
Training	–	–	1,275	(1,275)
Telephones	–	–	233	(233)
Other	–	–	430	(430)
Total disbursements	156,000	156,000	235,330	(79,330)
Change in fund balances	–	–	(34,408)	(34,408)
Fund balances beginning of year	(522)	(522)	(522)	–
Fund balances end of year	\$ (522)	\$ (522)	\$ (34,930)	\$ (34,408)

See accompanying notes.

Lucas County Family and Children First Council

Notes to Required Supplementary Information

December 31, 2006

1. Amendments to Original Appropriations Budget

The Council made no revisions to the original appropriations. The variances between the budget and actual results by fund are as follows:

General Fund – Administrative charges revenue was \$12,018 less than budget due to administrative charges not being collected for the Bridges Out of Poverty and other miscellaneous projects in 2006. Miscellaneous revenue was \$9,612 less than budget primarily due to lower fees than projected on the Matrix, which is a cost sharing memo of understanding with the United Way. This agreement was not actually put into place until the beginning of 2007. Supplies disbursements were over budget by \$2,173 as the Council began allocating supply costs to the various programs, there was also more postage paid in the current year than expected. Other disbursements were over budget by \$25,872 due to administrative agent fees and audit fees which were not built into the budget.

Help Me Grow Fund – Intergovernmental receipts were less than budget by \$203,372 due to the lag time on reimbursements from Lucas County Department of Job and Family Services for TANF reimbursements for 2006 expenditures. Other disbursements were \$35,293 greater than budget as the Lucas County Department of Job and Family Services allowed the Council to utilize the TANF funds not used by the providers on their contracts at the end of the State fiscal year to fund the costs of educational materials such as brochures, editorial ad placements, and home visiting curriculum supplies and training.

Other Funds – Intergovernmental receipts were more than budget by \$43,111 due to the Council receiving the CAPTA grant in the current year. Other disbursements were \$6,042 over budget as the expenditures relating to the Parent Advocacy and Leadership Training program were included in the general administrative budget, however during 2006 a separate cost center was established as funds were received from the Council's State Administrative Grant to cover these costs.

Wellness Fund – Administrative charges disbursements were \$17,950 greater than budget due to actual administrative expenditures, which are based on an allocation plan formula, being higher than projected. Contract services were \$16,895 greater than budget due to the timing of payments to providers.

Bridges Out of Poverty Fund – Salary and benefit disbursements were \$27,662 and contract services were \$50,246 greater than budget as a result of additional funding being provided by the State effective July 1, 2007, which was not included in the budget.

Other Information

Lucas County Family and Children First Council

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2006

Federal Grantor/ <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Identifying 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)	84.181	(1)	\$ 425,936
Total United States Department of Education			<u>425,936</u>
United States Department of Health and Human Services			
<i>Passed Through Lucas County Department of Job and Family Services:</i>			
Temporary Assistance for Needy Families (TANF)			
Help Me Grow Program	93.558	(1)	1,670,293
Help Me Grow and Learn Program	93.558	(1)	312,742
Bridges out of Poverty Training Project	93.558	(1)	235,331
Wellness Program	93.558	(1)	1,030,389
Total Temporary Assistance for Needy Families			<u>3,248,755</u>
<i>Passed Through Ohio Department of Health:</i>			
Child Abuse and Neglect State Grant (CAPTA)	93.669	(1)	63,900
Total United States Department of Health and Human Services			<u>3,312,655</u>
Total Federal Assistance			<u><u>\$ 3,738,591</u></u>

(1) No pass-through entity identifying number is available for this program.

See accompanying notes.

Lucas County Family and Children First Council

Notes to Schedule of Expenditures of Federal Awards

December 31, 2006

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Council and is presented using the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the financial statements.

Note B – Subrecipients

The Council passed-through \$3,282,383 of Federal assistance received from the Ohio Department of Health and the Lucas County Department of Jobs and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Council records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under Federal Circular A-133, the Council is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

Report of Independent Auditors on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

The Lucas County Family and Children First Council
Toledo, Ohio

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucas County Family and Children First Council (the Council) as of and for the year ended December 31, 2006, which collectively comprise the Council's basic financial statements and have issued our report thereon dated September 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of performing their assigned functions, to prevent or detect misstatements or a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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



September 27, 2007

**Report of Independent Auditors on Compliance
With Requirements Applicable to Each Major Program, on Internal
Control Over Compliance, and the Schedule of Expenditures of
Federal Awards in Accordance With OMB Circular A-133**

The Lucas County Family and Children First Council
Toledo, Ohio

Compliance

We have audited the compliance of the Lucas 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 are applicable to each of its major federal programs for the year ended December 31, 2006. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. 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; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 06-01.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with the 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

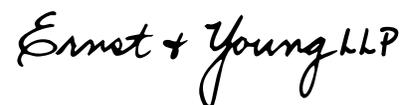
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 06-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Council response and, accordingly, we express no opinion on it.

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



September 27, 2007

Lucas County Family and Children First Council

Schedule of Findings and Questioned Costs

December 31, 2006

Part I – Summary of Auditor’s Results

Financial Statements Section

Type of auditor’s report issued (unqualified, qualified, adverse, or disclaimer):

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X No

Significant deficiency (ies) identified that are not considered to be material weaknesses?

 Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency (ies) identified that are not considered to be material weaknesses?

 X Yes None reported

Type of auditor’s report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?

 X Yes No

Lucas County Family and Children First Council

Schedule of Findings and Questioned Costs (continued)

Part I – Summary of Auditor’s Results (continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families
93.669	Child Abuse and Neglect State Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X Yes No

Part II – Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

None.

Part III – Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

Lucas County Family and Children First Council

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

06-01

Federal program information:

Temporary Assistance for Needy Families (TANF) (CFDA #93.558) and Child Abuse and Neglect State Grant (CANSNG) (CFDA #93.669)

Criteria or specific requirement (including statutory, regulatory, or other citation):

OMB Circular A-87 and grant fund restrictions require that expenditures paid from grant funds must be allowable under the respective federal, state, or local grant. Also, under cash management guidelines funds should not be utilized from one grant to cover expenditures under another grant, unless authorized by the terms of the respective grant agreement approved by the grantor.

Condition :

Currently, the Council has certain TANF and CANSNG grants that require the Council to make payments to providers prior to receiving reimbursement under the grants. Accordingly, the Council must utilize other funds to make these payments until reimbursement is received. The Council did not have sufficient general fundcash available during the year to cover certain TANF and CANSNG expenditures. Accordingly, the Council utilized restricted funds from other state and local grants, included in the Cluster pooled funds, to pay certain expenses until reimbursement was received from TANF and CANSNG funding.

Lucas County Family and Children First Council

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

06-01 (continued)

Questioned costs : \$101,564, which represents the total negative fund balances for the Other Restricted, Wellness, and Bridges Out of Poverty funds at December 31, 2006.

Context: The Council paid \$101,564 of TANF and CANSW expenses from other state and local grant funds included in the cluster pooled funds. Subsequent to year end, sufficient TANF and CANSW funding was received to cover the December 31, 2006, fund balance deficits in the Other Restricted, Wellness and Bridges Out of Poverty Funds.

Effect: The Council used other restricted grant funds for purposes other than the respective grants intended purpose.

Cause: The Council's grants are on a cost reimbursed basis and they do not have grant advance deposits or sufficient general revenue fund resources to cover the required expenditures to providers before they receive reimbursement from the applicable federal grants.

Lucas County Family and Children First Council

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

06-01 (continued)

Recommendation:

The Council should implement policies and procedures to ensure that grant monies are only used for allowable expenditures under the respective grants. Further, management should seek additional general unrestricted revenue from Lucas County, identify other unrestricted revenue streams, or secure advance deposits under grant agreements, to ensure that sufficient funds are available to pay providers in a timely manner. Additionally, the Council should ensure that the Cluster pooled funds have been reimbursed for any monies utilized from these restricted funds to pay other grant expenditures.

Views of Responsible Officials and Planned Corrective Actions:

Management is aware of the requirements and will work toward ensuring that all grant monies are used for their intended purpose by securing additional unrestricted funds or negotiating advance deposits under cost reimbursed grant agreements.



Mary Taylor, CPA
Auditor of State

FAMILY AND CHILDREN FIRST COUNCIL

LUCAS 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
NOVEMBER 8, 2007**