

**MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Family and Children First Council
Marion County Family and Children First Council
125 Executive Drive, Suite 100
Marion, Ohio 43302

We have reviewed the *Independent Accountants' Report* of the Marion County Family and Children First Council, Marion County, prepared by Knox & Knox, CPAs, 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 Accountants' 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 Accountants' 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 Marion County Family and Children First Council is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 27, 2007

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MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY

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KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT

Marion County Family and Children First Council
Marion County
125 Executive Drive, Suite 100
Marion, Ohio 43302

To the Members of Council:

We have audited the accompanying financial statements of Marion County Family and Children First Council, Marion County, Ohio, (the Council) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, if any, 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 Council has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and 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. In addition to 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 require 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. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Marion County Family and Children First Council, Marion County as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the basis of accounting described in Note 1.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Knox & Knox

Orrville, Ohio
August 27, 2007

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION 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

	General	Special Revenue	Totals (Memorandum Only)
CASH RECEIPTS:			
Intergovernmental	\$187,446	\$444,514	\$631,960
Total Cash Receipts	187,446	444,514	631,960
CASH DISBURSEMENTS			
Salaries	52,860		52,860
Retirement	7,194		7,194
Medicare	757		757
Workers' Compensation	147		147
Unemployment Benefits	510		510
Insurance	3,314		3,314
Administrative Services		26,680	26,680
Contract Services	82,336	434,579	516,915
Rent	2,430		2,430
Travel and Training	2,521		2,521
Supplies	909		909
Other	16,499		16,499
Total Cash Disbursements	169,477	461,259	630,736
Total Cash Receipts Over/(Under) Cash Disbursements	17,969	(16,745)	1,224
Cash Fund Balances, January 1	34,851	70,384	105,235
CASH FUND BALANCES, DECEMBER 31	\$52,820	\$53,639	\$106,459

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

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
CASH RECEIPTS:			
Intergovernmental	<u>\$159,283</u>	<u>\$429,429</u>	<u>\$588,712</u>
Total Cash Receipts	<u>159,283</u>	<u>429,429</u>	<u>588,712</u>
CASH DISBURSEMENTS			
Salaries	38,440		38,440
Retirement	5,267		5,267
Medicare	545		545
Workers' Compensation	213		213
Unemployment Benefits	5,174		5,174
Insurance	4,849		4,849
Administrative Services		1,958	1,958
Contract Services	40,345	416,812	457,157
Rent	5,820		5,820
Travel and Training	3,228		3,228
Supplies	1,290		1,290
Other	<u>30,770</u>		<u>30,770</u>
Total Cash Disbursements	<u>135,941</u>	<u>418,770</u>	<u>554,711</u>
Total Cash Receipts Over/(Under) Cash Disbursements	23,342	10,659	34,001
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS)			
Transfers-In		18,800	18,800
Transfers-Out	<u>(18,800)</u>		<u>(18,800)</u>
Total Other Financing Receipts/(Disbursements)	<u>(18,800)</u>	<u>18,800</u>	
Excess of Cash Receipts and Other Financing Receipts Over/ (Under) Cash Disbursements and Other Financing Disbursements	4,542	29,459	34,001
Cash Fund Balances, January 1	<u>30,309</u>	<u>40,925</u>	<u>71,234</u>
CASH FUND BALANCES, DECEMBER 31	<u><u>\$34,851</u></u>	<u><u>\$70,384</u></u>	<u><u>\$105,235</u></u>
Reserve for Encumbrances, December 31	<u><u>\$576</u></u>	<u><u>\$31,888</u></u>	<u><u>\$32,464</u></u>

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

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

Section 121.37 of the Ohio Revised Code, created the Ohio Family and Children First Cabinet Council and permitted counties to establish County Family and Children First Councils. Statutory membership of county council consists of the following individuals.

- a. The director of the Board of Alcohol, Drug Addiction and Mental Health Services and serves the county, or, in the case of a county that has a Board of Alcohol and Drug Addiction Services and a Community Mental Health Board, the directors of both boards;
- b. The health commissioner of the Board of Health of each city or general health district in the county, or their designees;
- c. The director of the County Department of Job and Family Services;
- d. The executive director of the county agency responsible for the administration of children service pursuant to Ohio Revised Code Section 5153.15;
- e. The superintendent of the County Board of Mental Retardation and Developmental Disabilities;
- f. The county's Juvenile Court judge senior in service;
- g. The superintendent of the city, exempted council, or local school district with the largest number of pupils residing in the county, as determined by the Department of Education, which shall notify each county of its determination at least biennially;
- h. A school superintendent representing all other school districts with territory in the County, as designated at a biennial meeting of the superintendents of those districts;
- i. A representative of the municipal corporation with the largest population in the county;
- j. The chair of the board of County Commissioners, or an individual designated by the board;
- k. A representative of the regional office of the Department of Youth Services;
- l. A representative of the County's Head Start agencies, as defined in Ohio Revised Code Section 3301.31;
- m. A representative of the County's early intervention collaborative established pursuant to the Federal Early Intervention Program operated under the "Education of the Handicapped Act Amendments of 1986";
- n. At least three individuals representing the interest of families in the County. Where possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership.

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Description of Entity (continued)

- o. A representative of the local nonprofit entity that funds, advocates, or provides services to children and families.

A county council's statutory responsibilities include the following:

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

2. Special Revenue Funds

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

Ohio Children's Trust Fund - This fund receives grant money to provide community based human services programs for child abuse and neglect prevention.

Help Me Grow Program Fund - This fund receives grant money to provide services for expectant parents; newborns and their families; and infants and toddlers at risk for or with developmental delays and disabilities and their families. Activities include direct services, public and provider awareness, centralized intake and referral, and procedural safeguards for families.

D. Administrative and Fiscal Agent

Marion County is the Council's fiscal and administrative agent. Council monies are maintained in separate funds at the county.

E. Budgetary Process

The Ohio Revised Code requires the Council to submit an annual budget to its administrative agent, the County Auditor and the Board of County Commissioners. The Council adopted a budget at the object level.

The Council follows the same encumbrance method of accounting as its administrative agent.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the Council's basis of accounting.

2. EQUITY IN POOLED CASH

Marion County maintains 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. The Council's carrying amount of cash on deposit with the County at December 31, 2006 and 2005 was \$106,459 and \$105,235, respectively. Marion County, as fiscal agent for the Council is responsible for maintaining adequate depository collateral for all funds in the County's pooled and deposit accounts.

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,202	\$187,446	\$36,244
Special Revenue	469,291	444,514	(24,777)
Total	\$620,493	\$631,960	\$11,467

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$169,926	\$169,477	\$449
Special Revenue	478,155	461,259	16,896
Total	\$648,081	\$630,736	\$17,345

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$129,743	\$159,283	\$29,540
Special Revenue	456,851	448,229	(8,622)
Total	\$586,594	\$607,512	\$20,918

2005 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,803	\$155,317	\$4,486
Special Revenue	454,516	450,658	3,858
Total	\$614,319	\$605,975	\$8,344

5. RETIREMENT SYSTEM

The Council's employees belong to the Public Employees Retirement System of Ohio (PERS). PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits to vested employees who are eligible to retire based on years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Council contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Council has paid all contributions required through December 31, 2006.

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

7. RISK MANAGEMENT

The Council is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2006 and 2005, the County's insurance through the County Risk Sharing Authority (CORSA) provided for all property and general liability insurance.

CORSA provides property, general liability, automobile, crime, inland marine, and equipment insurance coverage for the County as follows:

Property	\$90,056,091
General Liability	1,000,000
Commercial Crime	1,000,000
Food Stamp (Debit Card System)	1,000,000
Boiler and Machinery	100,000,000
Excess Liability	5,000,000
Automobile Liability	1,000,000
Police Professional Liability	6,000,000

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

Marion County Family and Children First Council
Marion County
125 Executive Drive, Suite 100
Marion, Ohio 43302

To the Members of Council:

We have audited the financial statements of Marion County Family and Children First Council, Marion County, Ohio (the Council), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 27, 2007 wherein we noted the Council uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Council's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions 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 purpose 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. However, we noted other matters the we reported to the Council in a separate letter dated August 27, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Council's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management and members of Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
August 27, 2007

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain</i>
2004-001	Authorization of pay rates	Yes	Finding no longer valid



Mary Taylor, CPA
Auditor of State

MARION COUNTY FAMILY AND CHILDREN FIRST COUNCIL

MARION 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
JANUARY 10, 2008**