



Mary Taylor, CPA
Auditor of State

**PRO MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

PRO Muskingum Families and Children First Council
Muskingum County
526 Putnam Avenue
P.O. Box 2475
Zanesville, Ohio 43701

To the Members of the Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the PRO Muskingum Families and Children First Council, Muskingum County, Ohio (the Council), as of and for the year ended December 31, 2007, 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 of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the PRO Muskingum Families and Children First, Muskingum County, Ohio, as of December 31, 2007, and the respective changes in cash financial position for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2007, the Council revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Council's basic financial statements. The Federal Awards Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Statement of Net Assets replaces the Statement for the PRO Muskingum Families and Children First Council's fiscal year ended December 31, 2007, previously issued with our report dated October 20, 2008. The Statement was revised to include the General Receipts, the Change in Net Assets, and to correct the Net Assets End of Year amount of \$419,702, instead of the previously reported amount of \$484,487. The incorrect Net Asset End of Year amount and Statement omissions were due to processing errors by the auditors.



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October 20, 2008, except for the Statement of Net Assets which is dated February 10, 2009

PRO Muskingum Families and Children First Council
Muskingum County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The discussion and analysis of the PRO Muskingum Families 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, 2007, within the limitations of the Council's cash basis of accounting. The intent of this discussion and analysis is to look at the Council's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for the year 2007 are as follows:

- Net assets decreased \$64,785. The Help Me Grow Grants are not on a calendar year. This causes them to begin and end in different years. This can result in grant dollars being spent before the grant dollars are received. In 2007, this resulted in a \$55,298 decrease in net assets. The remaining decrease of \$9,487 was from General Fund operations and various grant funds, including the Creative Options Grant Fund.
- Program specific receipts in the form of charges for services and operating grants and contributions comprise the Council's receipts.
- The Council had \$1,104,053 in disbursements during 2007. Contract Services and the Salaries and Benefits account for 37% and 35% of the disbursements, respectively.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Council's cash basis of accounting.

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Council, presenting both an aggregate view of the Council's finances and a longer-term view of those finances. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Council as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund 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. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

PRO Muskingum Families and Children First Council
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Under the Council's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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.

Reporting the Council as a Whole

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis reflect how the Council did financially during 2007, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balances of the governmental activities of the Council at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Council's general receipts.

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, you can think of these changes as 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, you should also consider other non-financial factors as well such as the reliance on non-local financial resources for operations and the need for continued growth.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis present governmental activities, which include all the Council's services. The Council has no business-type activities.

Reporting the Council's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Council's major funds – not the Council as a whole. The Council establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the Council are governmental.

Governmental Funds - The Council's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Council's governmental operations and the services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Council's programs. The Council's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Council's major governmental funds are the General Fund, Help Me Grow Expansion Grant Fund, Help Me Grow Subsidy Grant Fund, Help Me Grow Part C Grant Fund, and Creative Options Grant Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

PRO Muskingum Families and Children First Council
Muskingum County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Council as a Whole

Table 1 provides a summary of the Council's net assets for 2007 compared to 2006 on a cash basis:

Table 1
Net Assets – Cash Basis

	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$419,702</u>	<u>\$484,487</u>	<u>(\$64,785)</u>
 Total Assets	 <u>\$419,702</u>	 <u>\$484,487</u>	 <u>(\$64,785)</u>
Net Assets			
Restricted	\$357,997	\$361,728	(\$3,731)
Unrestricted	<u>61,705</u>	<u>122,759</u>	<u>(61,054)</u>
 Total Net Assets	 <u>\$419,702</u>	 <u>\$484,487</u>	 <u>(\$64,785)</u>

As mentioned previously, net assets decreased \$64,785. The Help Me Grow Grants are not on a calendar year. This causes them to begin and end in different calendar years. This can result in grant dollars being spent before the grant dollars are received. In 2007, this resulted in a \$55,298 decrease in net assets. The remaining decrease of \$9,487 was from General Fund operations and various grant funds, including the Creative Options Grant Fund.

Table 2 reflects the change in net assets in 2007. Since the Council did not prepare financial statements in this format for 2006, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

PRO Muskingum Families and Children First Council
Muskingum County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities
	2007
Receipts	
Program Cash Receipts	
Intergovernmental	\$848,879
Charges for Services	88,488
Gifts and Contributions	101,901
Total Program Cash Receipts	1,039,268
Total Receipts	1,039,268
Disbursements	
Current:	
Salary and Benefits	382,410
Travel & Training	33,149
Contract Services	407,656
Printing/Advertising	9,926
Supplies	11,985
Equipment	11,596
Repairs/Maintenance	13,826
Audit	4,608
Other	228,897
Total Disbursements	1,104,053
Change in Net Assets	(64,785)
Net Assets Beginning of Year	484,487
Net Assets End of Year	\$419,702

In 2007, 82 percent of the Council's total receipts were from intergovernmental receipts. This revenue is primarily comprised of contributions from local public entities, state and federal grants.

The 2007 disbursements for contract services and salary and benefits were 37% and 35% of the total disbursements, respectively. The contract services provided include payments to providers of service for temporary assistance for needy families and for grant related services provided by public and not-for-profit organizations.

Governmental Activities

If you look at the Statement of Activities – Cash Basis, you will see that the first column lists the major services provided by the Council. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for the Help Me Grow programs, which account for 67% of all governmental disbursements. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Council that must be used to provide a specific service. The net cost column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by the activity and donations.

PRO Muskingum Families and Children First Council
Muskingum County
 Management's Discussion and Analysis
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 Unaudited

Table 3 reflects the total cost of services and the net cost by program. Since the Council did not prepare financial statements in this format for 2006, a comparative analysis of the total costs of services and the net cost for both the current and prior years has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Table 3
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007
Help Me Grow	\$737,315	\$55,298
Community Health Services	184,318	(19,984)
Administration	182,420	29,471
Totals	\$1,104,053	\$64,785

The Council's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The focus of the Council's governmental funds is to provide information on receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Council's net resources available for spending at the end of the year.

At the end of 2007, the Council's governmental funds reported total ending fund balances of \$419,702. \$376,681 of the total is unreserved fund balance, which is available for spending. The remainder of fund balance is reserved to indicate it is not available for new spending.

While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets – Cash Basis due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state and federal governments.

The General Fund is the chief operating fund of the Council. At the end of 2007, unreserved fund balance in the General Fund was \$61,130. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total General Fund expenditures. Unreserved fund balance represented 36% of the total General Fund expenditures.

Disbursements exceeded receipts in the General Fund by \$15,604 in 2007. Charges for services and gifts and contributions account for 77% of revenue in the General Fund.

Help Me Grow Expansion Grant Fund – This fund receives federal grant funds from the Muskingum County Department of Job and Family Services to be used for income eligible families with children ages birth to three years and pregnant women who are at risk for abuse, neglect, or developmental delay. At the end of 2007, the total fund balance was \$95,741.

PRO Muskingum Families and Children First Council
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Management's Discussion and Analysis
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Unaudited

Help Me Grow Subsidy Grant Fund – This fund receives state grant funds to be used for families with children ages birth to three years and pregnant women who are at risk for abuse, neglect, or developmental delay. At the end of 2007, the total fund balance was \$142,341.

Help Me Grow Part C Grant Fund – This fund receives federal grant funds to be used for families with disabled children ages birth to three years. At the end of 2007, the total fund balance was \$36,689.

Creative Options Grant Fund – This fund receives state grant monies and donations to be used to provide youth and family services in an effort to help maintain families as a unit. At the end of 2007, the total fund balance was \$59,214.

Contacting the Council's Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Council's finances and to reflect the Council's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kathy McLeish, Executive Director, PRO Muskingum Families and Children First Council, 526 Putnam Avenue, Zanesville, Ohio 43701, (740) 454-9993.

PRO Muskingum Families and Children First Council
Muskingum County
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$419,702
<i>Total Assets</i>	<u><u>\$419,702</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$357,997
Unrestricted	<u>61,705</u>
<i>Total Net Assets</i>	<u><u>\$419,702</u></u>

See accompanying notes to the basic financial statements

PRO Muskingum Families and Children First
Muskingum County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
Governmental Activities			
Help Me Grow	\$737,315	\$7,309	\$674,708
Community Health Services	184,318	20,487	183,815
Administration	182,420	60,692	92,257
<i>Total Governmental Activities</i>	<u>1,104,053</u>	<u>88,488</u>	<u>950,780</u>
			(64,785)
			0
General Receipts			
Grants and Entitlements not Restricted to Specific Programs			0
<i>Total General Receipts</i>			0
Change in Net Assets			(64,785)
<i>Net Assets Beginning of Year</i>			484,487
<i>Net Assets End of Year</i>			<u>\$419,702</u>

See accompanying notes to the basic financial statements

PRO Muskingum Families and Children First Council
Muskingum County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Help Me Grow Expansion Grant	Help Me Grow Subsidy Grant	Help Me Grow Part C Grant	Creative Options Grant	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$61,705	\$95,741	\$142,341	\$36,689	\$59,214	\$24,012	\$419,702
Total Assets	\$61,705	\$95,741	\$142,341	\$36,689	\$59,214	\$24,012	\$419,702
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$575		\$1,769		\$2,962	\$37,715	\$43,021
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	61,130						61,130
Special Revenue Funds		\$95,741	140,572	\$36,689	\$56,252	(13,703)	315,551
Total Fund Balances	\$61,705	\$95,741	\$142,341	\$36,689	\$59,214	\$24,012	\$419,702

See accompanying notes to the basic financial statements

PRO Muskingum Families and Children First Council
Muskingum County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Help Me Grow Expansion Grant	Help Me Grow Subsidy Grant	Help Me Grow Part C Grant	Creative Options Grant	Other Governmental Funds	Total Governmental Funds
Receipts							
Intergovernmental	\$35,357	\$466,417	\$100,292	\$107,999	\$3,000	\$135,814	\$848,879
Charges for Services	60,692	83	7,226		20,487		88,488
Gifts and Contributions	56,901				45,000		101,901
<i>Total Receipts</i>	<u>152,950</u>	<u>466,500</u>	<u>107,518</u>	<u>107,999</u>	<u>68,487</u>	<u>135,814</u>	<u>1,039,268</u>
Disbursements							
Current:							
Salary and Benefits	102,158	182,783		96,861		608	382,410
Travel & Training	13,123	12,624	6,087	1,315			33,149
Contract Services	24,200	251,065	35,356	29,953	1,500	65,582	407,656
Printing/Advertising	7,242		2,684				9,926
Supplies	6,250		5,735				11,985
Equipment	1,234		10,362				11,596
Repairs/Maintenance	3,494		10,332				13,826
Audit	4,608						4,608
Other	6,245	45,055	47,103		40,042	90,452	228,897
<i>Total Disbursements</i>	<u>168,554</u>	<u>491,527</u>	<u>117,659</u>	<u>128,129</u>	<u>41,542</u>	<u>156,642</u>	<u>1,104,053</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,604)</u>	<u>(25,027)</u>	<u>(10,141)</u>	<u>(20,130)</u>	<u>26,945</u>	<u>(20,828)</u>	<u>(64,785)</u>
Other Financing Sources (Uses)							
Transfers In	6,550					9,000	15,550
Transfers Out	(9,000)		(6,550)				(15,550)
Advances In	39,958	45,000	5,000	28,208	15,000	19,750	152,916
Advances Out	(82,958)	(30,000)	(5,000)	(208)	(15,000)	(19,750)	(152,916)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,450)</u>	<u>15,000</u>	<u>(6,550)</u>	<u>28,000</u>	<u>0</u>	<u>9,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(61,054)</u>	<u>(10,027)</u>	<u>(16,691)</u>	<u>7,870</u>	<u>26,945</u>	<u>(11,828)</u>	<u>(64,785)</u>
<i>Fund Balances Beginning of Year</i>	<u>122,759</u>	<u>105,768</u>	<u>159,032</u>	<u>28,819</u>	<u>32,269</u>	<u>35,840</u>	<u>484,487</u>
<i>Fund Balances End of Year</i>	<u>\$61,705</u>	<u>\$95,741</u>	<u>\$142,341</u>	<u>\$36,689</u>	<u>\$59,214</u>	<u>\$24,012</u>	<u>\$419,702</u>

See accompanying notes to the basic financial statements

PRO Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 – Description of the Entity

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

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

**PRO Muskingum Families and Children First Council
Muskingum County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 - Description of the Entity (Continued)

12. A representative from the regional office of the Ohio Department of Youth Services;
13. A representative of the County's Head Start Agencies, as defined in Ohio Rev. Code Section 3301.31;
14. A representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Education Act of 2004"; and
15. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

A County Council's statutory responsibilities include the following:

1. Refer to the Cabinet Council those children for whom the Council cannot provide adequate services;
2. Develop and implement a process that annually evaluates and prioritizes services, fills service gaps where possible, and invents new approaches to achieve better results for families and children;
3. Participate in the development of a countywide, comprehensive, coordinated, 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 "Individuals with Disabilities Education Act of 2004";
4. Maintain an accountability system to monitor the Council's progress in achieving results for families and children; and
5. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.F, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Council's accounting policies.

A. 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.

PRO Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Board and the Director have direct responsibility for these activities.

B. Basis of Presentation

The Health District's basic financial statements consist of government-wide financial statements, including a statement of net assets and 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, 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 receipts of the Council, with certain limited exceptions. The comparison of direct expenses with program receipts identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Council.

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. Nonmajor funds are aggregated and presented in a single column.

C. 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. Funds are used to segregate resources that are restricted as to use. The Council utilizes the governmental category of funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the Council are financed. Governmental fund reporting focuses on the sources, uses, and balance 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.

PRO Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

Help Me Grow Expansion Grant Fund – This fund receives federal grant funds from the Muskingum County Department of Job & Family Services to be used for income eligible families with children ages birth to three years and pregnant women who are at risk for abuse, neglect, or developmental delay.

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

Help Me Grow Part C Grant Fund – This fund receives federal grant funds to be used for families with disabled children ages birth to three years.

Creative Options Grant Fund – This fund receives state grant monies and donations to be used to provide youth and family services in an effort to help maintain families as a unit.

The other governmental funds of the Council account for grants and other resources whose use is restricted for a particular purpose.

D. Fiscal and Administrative Agent

The Zanesville Muskingum County General Health District serves as the fiscal agent and administrative agent for the Council. The Council receives federal, state and local monies to assist eligible families by providing and promoting various types of public assistance.

E. 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.

F. Basis of Accounting

As a result of the use of this 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 these 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.

G. Budgetary Process

The Council is required by Ohio Rev. Code Section 121.37(B)(5) to file an annual budget with its administrative agent. The Council estimates revenues and expenditures for the year and submits these estimates to the Zanesville Muskingum County General Health District's Board. The Council and Board approve any changes made to these estimates during the year. In 2007, the Council filed the required budgets with their administrative agent.

H. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the Council's cash. The Council's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

**PRO Muskingum Families and Children First Council
Muskingum County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

I. 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 basis of accounting the Council uses.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Council uses.

K. 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.

L. Fund Balance Reserves

The Council reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Cash and Cash Equivalents

The County Treasurer is the custodian for the Council's cash and investments. The County's cash and investment pool holds the Council's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County. The Council's carrying amount of cash on deposit with the County at December 31, 2007 was \$419,702. The Muskingum County Treasurer's office is located in the Muskingum County Court House at 4th and Main Street, Zanesville, Ohio 43701. The phone number is (740) 455-7109.

**PRO Muskingum Families and Children First Council
Muskingum County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 4 – Interfund Balance

Unpaid inter-fund cash advances at December 31, 2007 were as follows:

Due to General Fund:	
Help Me Grow Expansion	\$15,000
Help Me Grow Part C	<u>28,000</u>
Total General Fund	<u>\$43,000</u>

The inter-fund transactions between the General and Special Revenue Funds are due to the timing of the receipt of grant monies.

Note 5 – Interfund Transfers

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Fund	<u>\$9,000</u>
Total Transfers from the General Fund	<u>\$9,000</u>
Transfers from Help Me Grow Subsidy Fund to:	
General Fund	<u>\$6,550</u>
Total Transfers from Help Me Grow Subsidy Fund	<u>\$6,550</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The Council transferred cash for grant reimbursement purposes due to the timing of the receipt of grant monies.

Note 6 - Risk Management

The Council is covered under the Zanesville Muskingum County General Health District's (Health District) insurance policies. The Health District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Health District is a member of the Public Entities Pool of Ohio (PEP) a local government risk-sharing pool. The pool consists of 227 local governments who pool risk for property, liability and public official liability. The Health District pays an annual premium to PEP for this coverage.

Full-time employees of the Health District assigned to the Council are provided health and dental insurance through a limited risk health insurance program that is maintained by Muskingum County. Premiums are paid to a third party, Aultra Administrative Group. The claims are processed and monitored by the County insurance administrator in conjunction with the third party administrator. These employees are also provided vision and life insurance to full-time employees through a private carrier.

Note 7 – Risk Pool Membership

Employees of the Zanesville Muskingum County General Health District assigned to the Council are exposed to various risks of property and casualty losses, and injuries to employees.

**PRO Muskingum Families and Children First Council
Muskingum County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 7 – Risk Pool Membership (Continued)

Employees of the Health District assigned to the Council are insured against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Council is covered under the insurance of the Health District. The Health District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

**PRO Muskingum Families and Children First Council
Muskingum County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 7 – Risk Pool Membership (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Health District's share of these unpaid claims collectible in future years is approximately \$43,000. This payable includes the subsequent year's contribution due if the Health District terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Health District Contributions to PEP</u>	
2005	\$34,884
2006	\$37,541
2007	\$37,247

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Plan Description - Employees of the Health District assigned to the Council participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit.

PRO Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 8 - Defined Benefit Pension Plans (Continued)

Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll.

The Council's contribution rate for 2007 was 13.85 percent of covered payroll. For the period January 1, through June 30, 2007, a portion of the Council's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Council of 14 percent.

The Council's required contributions for pension obligations for the years ended December 31, 2007, 2006, and 2005 were \$22,908, \$17,719, and \$12,648 respectively. The full amount has been contributed for 2007, 2006 and 2005.

Note 9 - Postemployment Benefits

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits.

PRO Muskingum Families and Children First Council
Muskingum County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 9 - Postemployment Benefits (Continued)

The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 through December 31, 2007.

The Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Council's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$15,089, \$8,668, and \$5,297 respectively; 100 percent has been contributed for 2007, 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**PRO MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR	Pass-Through	Federal	
Pass-Through Grantor	Entity	CFDA	
Program Title	Number	Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Health:</i>			
Special Education: Grants for Infants and Families with Disabilities (Help Me Grow)	60-1-001-1-HG-1-08	84.181	\$49,475
	60-1-001-1-EG-07		<u>78,654</u>
Total Special Education: Grants for Infants and Families with Disabilities (Help Me Grow)			<u>128,129</u>
Total U.S. Department of Education			<u>128,129</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Mental Health and Muskingum Area ADAMH Board</i>			
Promoting Safe and Stable Families	36-CS-06-01	93.556	3,090
	N/A		<u>29,108</u>
Total Promoting Safe and Stable Families			32,198
<i>Passed through Ohio Department of Job and Family Services and Muskingum County Department of Job and Family Services</i>			
Temporary Assistance for Needy Families	Not available	93.558	491,444
Social Services Block Grant	Not available	93.667	<u>92,501</u>
Total U.S. Department of Health and Human Services			<u>616,143</u>
Total Federal Awards Expenditures			<u><u>\$744,272</u></u>

The notes to the federal awards expenditures schedule are an intergral part of this schedule.

**PRO MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Council's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – COMMINGLED ASSISTANCE

The amounts reported in the Promoting Safe and Stable Families Program (CFDA No. 93.556) include both Federal and state monies which were commingled at the state level and not separately identified to the Council during the period. The accompanying Schedule includes the total awards expended under this program regardless of source.



Mary Taylor, CPA

Auditor of State

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

PRO Muskingum Families and Children First Council
Muskingum County
526 Putnam Avenue
P.O. Box 2475
Zanesville, Ohio 43701

To the Members of the Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the PRO Muskingum Families and Children First Council, Muskingum County, Ohio (the Council), as of and for the year ended December 31, 2007, which collectively comprise the Council's basic financial statements and have issued our report thereon dated October 20, 2008, except for the Statement of Net Assets which is dated February 10, 2009, wherein we noted the Council uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Statement of Net Assets was revised to include the General Receipts, the Change in Net Assets, and to correct the Net Assets End of Year amount of \$419,702, instead of the previously reported amount of \$484,487. The incorrect Net Asset End of Year amount and Statement omissions were due to processing errors by the auditors. 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 a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited 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.

Compliance and Other Matters

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

We intend this report solely for the information and use of the audit committee, management, members of the Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

October 20, 2008, except for the Statement of Net Assets which is dated February 10, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

PRO Muskingum Families and Children First Council
Muskingum County
526 Putnam Avenue
P.O. Box 2475
Zanesville, Ohio 43701

To the Members of the Council:

Compliance

We have audited the compliance of PRO Muskingum Families and Children First Council, Muskingum County, Ohio (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 apply to its major federal program for the year ended December 31, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Council's major federal program. The Council's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 of America; 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The Council's management 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 directly and materially affect 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.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to administer a federal program such that there is more than a remote likelihood that the Council's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Council's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, members of the Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 20, 2008

**PRO MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Temporary Assistance for Needy Families, CFDA #93.558
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

PRO MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 24, 2009