



**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2004-2003**



**Auditor of State  
Betty Montgomery**



HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY

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**Auditor of State  
Betty Montgomery**

Holmes County Family and Children First Council  
Holmes County  
85 N. Grant Street  
P.O. Box 72  
Millersburg, Ohio 44654

To the Members of the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 16, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Holmes County Family and Children First Council  
Holmes County  
85 N. Grant Street  
P.O. Box 72  
Millersburg, Ohio 44654

To the Members of the Board:

We have audited the accompanying financial statements of Holmes County Family and Children First Council, Holmes County, Ohio, (the Council) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since this Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Holmes County Family and Children First Council, Holmes County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the year ended December 31, 2004. The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

September 16, 2005



**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$18,800	\$265,163	\$283,963
Local Agency Contributions	39,689	370,053	409,742
<b>Total Cash Receipts</b>	<u>58,489</u>	<u>635,216</u>	<u>693,705</u>
<b>Cash Disbursements:</b>			
Current:			
Contracts - Services/Consultations		621,712	621,712
Personnel	56,233		56,233
Other	140		140
<b>Total Cash Disbursements</b>	<u>56,373</u>	<u>621,712</u>	<u>678,085</u>
Total Cash Receipts Over Cash Disbursements	2,116	13,504	15,620
Fund Cash Balances, January 1	<u>22,123</u>	<u>184,958</u>	<u>207,081</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$24,239</u></u>	<u><u>\$198,462</u></u>	<u><u>\$222,701</u></u>

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

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$20,000	\$383,350	\$403,350
Local Agency Contributions	35,245	357,595	392,840
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	55,245	740,945	796,190
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Contracts - Services/Consultations		816,774	816,774
Personnel	65,553		65,553
Other	7,583		7,583
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	73,136	816,774	889,910
	<hr/>	<hr/>	<hr/>
Total Cash Receipts (Under) Cash Disbursements	(17,891)	(75,829)	(93,720)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	40,014	260,787	300,801
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$22,123</u>	<u>\$184,958</u>	<u>\$207,081</u>

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

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Ohio Rev. 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 council consists of the following individuals:

- a. The director of the Council 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;
- 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 human services;
- d. The executive director of the county agency responsible for the administration of children services pursuant to Ohio Rev. 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 village, 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 largest city 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 Rev. 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"; and
- n. At least three individuals representing the interests 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. In addition, a County Family and Children First Council may invite any other local public or private agency or group that funds, advocates, or provides services to children to have a representative become a permanent or temporary member of the council.

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY**

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

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

**A. Description of the Entity (Continued)**

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 countywide, comprehensive, coordinated, multi-disciplinary, inter-agency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the department of health for early intervention services under the "Education of the Handicapped Act Amendments of 1986";
- e. Maintain an accountability system to monitor the council's progress in achieving its purposes; and
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

The Holmes County Family Council (the Council) was officially created on October 3, 1995 by proclamation of the Governor of the State of Ohio.

The Holmes County Department of Job and Family Services serves as administrative agent for the Council and the Holmes County Auditor serves as the Council's fiscal agent. The County Auditor reports the Council's funds as an Agency Fund on the County's financial records.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Council recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the Auditor of State prescribes or permits.

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY**

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

**C. Equity in Pooled Cash and Investments**

The Holmes County Treasurer 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, 2004 and 2003 was \$222,701 and \$207,081, respectively. The Holmes County Treasurer is responsible for maintaining adequate depository collateral for all funds in the Holmes County's pooled and deposit accounts and ensuring that all monies are invested in accordance with the Ohio Revised Code.

**D. Fund Accounting**

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

**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.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Funds:

Help Me Grow [Temporary Assistance for Needy Families (TANF)] Grant Fund - This fund receives federal grant monies for the purpose of providing services to families with young children at greater risk.

Pooled Funds – This fund receives monies from a group consisting of the Holmes County Department of Job and Family Services, the Holmes County Juvenile Court, the Holmes/Wayne Mental Health and Recovery Board, and the Holmes County Board of Mental Retardation and Developmental Disabilities for the purpose of providing specialized, multi-need services to specifically identified children in a coordinated, focused fashion.

**E. Budgetary Process**

The Ohio Revised Code requires the Council to budget each fund. The Council must file the budget with its administrative agent (Holmes County Department of Job and Family Services), the County Auditor, and the Board of County Commissioners.

**F. Contracted Services**

The Council Coordinator is a paid employee of Holmes County. The funds used to pay the Coordinator's salary are derived from a state administrative grant and local agency membership contributions received by the Council and are reported within a County Agency Fund.

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY**

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

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,789	\$58,489	(\$1,300)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,912	\$56,373	\$5,539

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,950	\$55,245	\$295

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,741	\$73,136	(\$10,395)

**3. RETIREMENT SYSTEM**

The Council Coordinator is a member of the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Council contributed an amount equal to 13.55 percent of participants' gross salaries. The Council has paid all contributions required through December 31, 2004.

**4. CONTINGENT LIABILITIES**

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

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY**

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

**5. RELATED PARTY TRANSACTIONS**

Dr. Maurice Mullet is a required member of the Council Board and is the Director of the Holmes County Health Department (HCHD). The Council has entered into contracts with the HCHD for approximately \$225,000 in 2004 and \$240,000 in 2003.

Joseph Messner is a member of the Council Board and is the President of Your Human Resource Center (YHRC). The Council has entered into contracts with YHRC for approximately \$10,000 for both 2004 and 2003.

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**Auditor of State  
Betty Montgomery**

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

Holmes County Family and Children First Council  
Holmes County  
85 N. Grant Street  
P.O. Box 72  
Millersburg, Ohio 44654

To the Members of the Board:

We have audited the financial statements of the Holmes County Family and Children First Council, Holmes County, Ohio, (the Council) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 16, 2005, wherein we noted the Council follows accounting practices the Auditor of State permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Council's management dated September 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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*.

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Holmes County Family and Children First Council  
Holmes County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

In a separate letter to the Council's management dated September 16, 2005, we reported an other matter related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 16, 2005

**HOLMES COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	OMB Circular A-133, Subpart D, Section 400 (d), requires pass-through entities to provide sufficient information to describe a federal award, advise subrecipients of federal requirements, and ensure subrecipients have met audit requirements. Also, no list of eligible participants served was included on invoices, and reports for required for review were not provided.	Yes	The problems as noted were corrected. However, as this is not an A-133 audit the finding would no longer be valid.





**Auditor of State  
Betty Montgomery**

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**FAMILY AND CHILDREN FIRST COUNCIL**

**HOLMES 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 10, 2005**