



Mary Taylor, CPA
Auditor of State

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Family and Children First Council
Clermont County
1088 Wasserman Way, Suite B
Batavia, Ohio 45103

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Family and Children First Council, Clermont County, Ohio (the Council), as of and for the year ended December 31, 2005, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Family and Children First Council, Clermont County, Ohio, as of December 31, 2005, and the respective changes in financial position thereof the General Fund, Help Me Grow Special Revenue Fund, Restricted Special Revenue Fund, and the Ohio Children's Trust Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2005, the Council implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 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 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.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

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

Mary Taylor, CPA
Auditor of State

October 1, 2007

**CLERMONT COUNTY FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The discussion and analysis of the Clermont County Family and Children First Council's (the Council) financial performance provides an overall review of the Council's financial activities for the year ended December 31, 2005. 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 2005 are as follows:

- The assets of the Council exceeded its liabilities at the close of the year ended December 31, 2005, by \$446,628 (net assets). Of this amount, \$144,813 (unrestricted net assets) may be used to meet the Council's ongoing programs.
- The Council's total net assets increased by \$202,080 which represents an 82.6% increase from 2004.
- At the end of the current year, the Council's governmental funds reported a combined ending fund balance of \$301,044. Of this amount, \$267,931 is available for spending (unreserved fund balance) on improving the well-being of children and their families.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$144,265.

Using the Basic Financial Statements

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 or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities 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 assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the Council's most significant funds (major funds).

**CLERMONT COUNTY FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Council as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the Council to provide services to our citizens, the view of the Council as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Council's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, for the Council as a whole, the financial position of the Council has improved or diminished. However, in evaluating the overall position of the Council, nonfinancial information such as the Council's reliance on non-local financial resources for the operations and the need for continued growth will also need to be evaluated.

Reporting the Council's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council are governmental funds. Fund financial reports provide detailed information about the Council's major funds.

Based on restrictions on the use of monies, the Council has established separate funds for its restricted money (state and federal grants) and for its unrestricted money. These fund financial statements focus on the Council's most significant funds. In the case of the Council, our major funds are the General Fund, Help Me Grow, Restricted Special Revenue Fund and Ohio Children's Trust Fund. The analysis of the Council's major funds begins on page 8.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CLERMONT COUNTY FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Council maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements begin on page 12 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets exceeded liabilities by \$446,628 as of December 31, 2005.

Table 1 provides a summary of the Council's net assets for 2005 compared to 2004.

Table 1
Net Assets
(In Thousands)

	Governmental Activities (Restated)	
	<u>2005</u>	<u>2004</u>
Assets		
Current & Other Assets	\$584,527	\$381,634
Liabilities		
Current & Other Liabilities	137,899	137,086
Net Assets		
Restricted:		
Grants	301,815	153,034
Unrestricted	144,813	91,514
<i>Total Net Assets</i>	\$446,628	\$244,548

**CLERMONT COUNTY FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 provides a summary of the changes in net assets for 2005. Since the Council did not prepare financial statements in this format for 2004, 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.

Table 2
Changes in Net Assets
(In Thousands)

	Governmental Activities
	<u>2005</u>
Program Revenues:	
Charges for Services	\$10,772
Operating Grants and Contributions	1,002,666
General Revenues:	
Unrestricted Grants	20,000
Other	26,975
<i>Total Revenues</i>	<u>1,060,413</u>
Program Expenses	
Human Services	858,333
<i>Total Expenses</i>	<u>858,333</u>
<i>Increase in Net Assets</i>	<u><u>\$202,080</u></u>

Governmental Activities

The Council's governmental activities include promoting and facilitating communication and collaboration among Clermont County child and family serving agencies to ensure that Clermont County infants, children, adolescents and their families receive appropriate and responsive services to enable youth to develop adequate skills in preparation for a successful adulthood. Some of these services are: intensive home-based services provided by Access to Better Care (ABC) funds, support for families with children enrolled in Clermont Help Me Grow is provided by ABC TANF funds, the home visitor program is provided through the Ohio Children's Trust Fund, and Help Me Grow is funded by the Ohio Department of Health. Help Me Grow provides prenatal support, newborn home visits, services to children with developmental concerns, and on-going home visitation.

Financial Analysis of the Council's Funds

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

Governmental Funds: The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, 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 fiscal year.

**CLERMONT COUNTY FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

As of the end of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$301,044. Of this amount, \$267,931 constitutes unreserved fund balance, which is available for spending. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders at year end (\$33,113). 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 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 the current fiscal year, unreserved fund balance of the general fund was \$144,265. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 52.4% of the total general fund expenditures.

Revenues exceeded expenditures in the General Fund by \$53,149 in 2005. Contributions - Governmental accounts for 85.7% of revenues in the General Fund. Contributions - Governmental consists of local contributions from Clermont County Board of Mental Retardation and Developmental Disabilities, Clermont County Mental Health and Recovery Board, Clermont County General Health District, Clermont County Department of Job and Family Services, Clermont County Board of County Commissioners, and the Clermont County Juvenile Court. The money received is used for the general operations of the Council.

The Help Me Grow Special Revenue Fund received \$533,292 in Help Me Grow grant money for the Help Me Grow program which provides prenatal support, newborn home visits, services to children with developmental concerns, and on-going home visitation.

The Restricted Special Revenue Fund and the Ohio Children's Trust Fund receive grant money and charges for services for children with developmental disabilities.

Economic Factors and Next Year's Budget

Clermont County has experienced growth in the participation of its programs. The Council maintains a conservative approach to spending while maximizing its revenues. Current economic indicators show that the current economy should remain at its current pace. The Council will have to review alternative methods of intergovernmental funding, since the State of Ohio's fiscal condition continues to remain uncertain and the Council's portion of state-based program revenue will be affected by the fiscal year 2007 State budget bill.

All of these factors were considered in the preparation of the Council's 2005 budget. In conjunction with current economic factors, the Council has increased its 2006 budget to continue improving its programs.

Requests for Information

This financial report is designed to provide our citizens, creditors, and investors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karen Scherra, Executive Director, 1088 Wasserman Way, Suite B, Batavia, Ohio 45103, (513)732-5412.

Clermont County Family and Children First Council
Clermont County
Statement of Net Assets
December 31, 2005

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 373,153
Accounts Receivable	150
Intergovernmental Receivable	<u>211,224</u>
<i>Total Assets</i>	<u>584,527</u>
LIABILITIES:	
Accounts Payable	28,547
Intergovernmental Payable	<u>109,352</u>
<i>Total Liabilities</i>	<u>137,899</u>
NET ASSETS:	
Restricted for Grants	301,815
Unrestricted	<u>144,813</u>
<i>Total Net Assets</i>	<u><u>\$ 446,628</u></u>

See accompanying notes to the basic financial statements

Clermont County Family and Children First Council
Clermont County
Statement of Activities
For the Year Ended December 31, 2005

	<u>Program Revenues</u>			Net(Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Human Services	\$ 858,333	\$ 10,772	\$ 1,002,666	\$ 155,105
<i>Total Governmental Activities</i>	<u>\$ 858,333</u>	<u>\$ 10,772</u>	<u>\$ 1,002,666</u>	<u>155,105</u>
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				20,000
Miscellaneous				<u>26,975</u>
<i>Total General Revenues</i>				<u>46,975</u>
<i>Change in Net Assets</i>				202,080
<i>Net Assets Beginning of Year</i>				<u>244,548</u>
<i>Net Assets End of Year</i>				<u>\$ 446,628</u>

See accompanying notes to the basic financial statements

Clermont County Family and Children First Council
Clermont County
Balance Sheet
Governmental Funds
December 31, 2005

	Major Funds				Total Governmental Funds
	General Fund	Help Me Grow Special Revenue Fund	Restricted Special Revenue Fund	Ohio Children's Trust Fund	
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 196,257	\$ 101,353	\$ 57,390	\$ 18,153	\$ 373,153
Accounts Receivable	150	-	-	-	150
Intergovernmental Receivable	-	176,578	3,300	31,346	211,224
<i>Total Assets</i>	<u>\$ 196,407</u>	<u>\$ 277,931</u>	<u>\$ 60,690</u>	<u>\$ 49,499</u>	<u>\$ 584,527</u>
LIABILITIES:					
Accounts Payable	18,422	-	-	10,125	28,547
Intergovernmental Payable	33,172	72,880	3,300	-	109,352
Deferred Revenue	150	114,088	-	31,346	145,584
<i>Total Liabilities</i>	<u>51,744</u>	<u>186,968</u>	<u>3,300</u>	<u>41,471</u>	<u>283,483</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	398	31,859	856	-	33,113
Unreserved, Undesignated, Reported in:					
General Fund	144,265	-	-	-	144,265
Special Revenue Funds	-	59,104	56,534	8,028	123,666
<i>Total Fund Balances</i>	<u>144,663</u>	<u>90,963</u>	<u>57,390</u>	<u>8,028</u>	<u>301,044</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 196,407</u>	<u>\$ 277,931</u>	<u>\$ 60,690</u>	<u>\$ 49,499</u>	<u>\$ 584,527</u>

See accompanying notes to the basic financial statements.

Clermont County Family and Children First Council
Clermont County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005

Total Governmental Fund Balances \$ 301,044

***Amounts reported for governmental activities in the
statement of net assets are different because***

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds:

Intergovernmental Revenues 145,584

Net Assets of Governmental Activities \$ 446,628

Clermont County Family and Children First Council
Clermont County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	Major Funds				Total Governmental Funds
	General Fund	Help Me Grow Special Revenue Fund	Restricted Special Revenue Fund	Ohio Children's Trust Fund	
REVENUES:					
Charges for Services	\$ -	\$ -	\$ 10,772	\$ -	\$ 10,772
Intergovernmental	20,000	533,292	27,599	62,691	643,582
Contributions - Governmental	282,298				282,298
Other	26,975	-	-	-	26,975
<i>Total Revenues</i>	<u>329,273</u>	<u>533,292</u>	<u>38,371</u>	<u>62,691</u>	<u>963,627</u>
EXPENDITURES:					
Current:					
Human Services	276,124	483,052	35,187	63,970	858,333
<i>Total Expenditures</i>	<u>276,124</u>	<u>483,052</u>	<u>35,187</u>	<u>63,970</u>	<u>858,333</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>53,149</u>	<u>50,240</u>	<u>3,184</u>	<u>(1,279)</u>	<u>105,294</u>
<i>Net Change in Fund Balance</i>	53,149	50,240	3,184	(1,279)	105,294
<i>Fund Balance at Beginning of Year</i>	<u>91,514</u>	<u>40,723</u>	<u>54,206</u>	<u>9,307</u>	<u>195,750</u>
<i>Fund Balance at End of Year</i>	<u>\$ 144,663</u>	<u>\$ 90,963</u>	<u>\$ 57,390</u>	<u>\$ 8,028</u>	<u>\$ 301,044</u>

See accompanying notes to the basic financial statements.

Clermont County Family and Children First Council
Clermont County
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds \$105,294

***Amounts reported for governmental activities in the
statement of activities are different because***

Certain intergovernmental revenues and charges for services that do not
provide current financial resources are not reported as revenues in the fund.

Charges for Services	150	
Intergovernmental revenue	96,636	
Total Revenue	96,786	96,786
<i>Change in Net Assets of Governmental Activities</i>		\$202,080

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY

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 board of alcohol, drug addiction, and mental health services that serves the county;
- 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 jobs and family services;
- d. The executive director of the county agency responsible for the administration of children services pursuant to section 5153.15 of the Revised Code;
- e. The superintendent of the county board of mental retardation and developmental disabilities.
- f. The county's juvenile court judge senior in service or their designee;
- 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 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 section 3301.31 of the Revised Code;
- 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 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.
- o. A representative of the local nonprofit entity that funds, advocates, or provides services to children and families.

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

1. DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY (Continued)

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.

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. 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;
- c. 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 Amendments of 1986;"
- d. Maintain an accountability system to monitor the council's progress in achieving its purposes; and,
- e. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

As required by generally accepted accounting principles, the financial statements present the Council (the primary government). The primary government includes all funds, departments, and boards for which the Council is financially accountable. The council does not have any component units.

B. Cabinet

The Ohio Family and Children First Initiative of Clermont County was established in 1993. This organization served as a county council; however, it lacked council membership as required by Ohio Rev Code Section 121.37. In July of 1996, the Clermont County Children's Cabinet added the necessary membership to become a county council. Although legally a county council, the Council continues to refer to themselves as "the Cabinet."

C. Fiscal Agent

The Clermont County Auditor serves as the Council's fiscal agent. On July 1, 2005, the Clermont County Mental Health & Recovery Board assumed the administrative agent responsibilities from CCDJFS. Council funds are maintained on the accounting system of the County. Council records are balanced with the County records on a monthly basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Council have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental provided they do not conflict with or contradict GASB pronouncements. The Council has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The most significant of the Council accounting policies are described below.

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Council's basic financial statements consist of government-wide 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 for 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 of the Council. 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 for 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 revenues of the Council, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function 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 financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

Governmental Funds

Governmental funds are those through which most governmental functions of the Council are financed. Governmental fund reporting focuses on the sources, use and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Council's major governmental funds:

General Fund

This fund accounts for the general operating revenues and expenditures of the Council not recorded elsewhere. 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.

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Help Me Grow Special Revenue Fund

This fund is used to account for revenues and expenditures of programs that provide time-limited assistance to needy families with children so that the children can be cared for in their own homes or in the homes of relatives; end dependence of needy parents on government benefits by promoting job preparation, work, and marriage; prevent and reduce out-of-wedlock pregnancies, including establishing prevention and reduction goals; and encourage the formation and maintenance of two-parent families

Restricted Special Revenue Fund

This fund accounts for revenues and expenditures of the following associated programs: Wilson Boys, School to work program, Access to Better Care and the Council's CAPTA block grant.

Ohio Children's Trust Fund

The Ohio Children's Trust Fund was created by the Ohio Legislature in 1984. This fund is used to account for revenues and expenditures relating to programs which maintain a focus on preventing child abuse/neglect, and serve as a vehicle for distributing funding to support secondary prevention programs throughout the region.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Council are included on the Statement of Net Assets. The Statement of Activity presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Council, available means expected to be received within thirty days of year-end.

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Council must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Council on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants and charges for services.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The County Treasurer is the custodian for the Council's cash and cash equivalents. The County's cash pool holds the Council's cash and cash equivalents, which are reported at the County Treasurer's carrying amount. Deposit disclosures for the County as a whole may be obtained from the Clermont County Auditor, Linda L. Fraley, 101 E. Main Street, Batavia, Ohio, 45103, www.clermontauditor.org, (513)732-7150.

Capital Assets

Capital assets, which include property, plant equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of proprietary capital assets is included as part of the capitalized value of the assets constructed.

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Infrastructure	20-50
Vehicles	5-10
Furniture & Equipment	5-10

The Council has no capital assets to be reported.

Accrued Liabilities

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements funds.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligation of the funds.

Fund Balance Reserves

The Council reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Net Assets

Net Assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for grants are restricted by grantors and regulations of other governments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF PRIOR YEAR NET ASSETS

For fiscal year 2005, the Council implemented generally accepted accounting principles and GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments. GASB 34 creates new basic financial statements for reporting the Council's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

Adjustments were made to the December 31, 2004 balances from prior audits to move expenditures to the proper funds.

	<u>General</u>	<u>Help Me Grow Special Revenue fund</u>	<u>Restricted Special Revenue fund</u>	<u>Ohio Children's Trust Fund</u>	<u>Total</u>
Fund Balance December 31, 2004	\$ 218,520	\$ 68,506	\$ (34,287)	\$ 14,321	\$ 267,060
Adjustments from prior audits	(88,493)	0	88,493	0	0
Intergovernmental Receivable	0	83,228	0	31,346	114,574
Accounts Payable	(15,992)	0	0	(5,014)	(21,006)
Intergovernmental Payable	(22,521)	(93,559)	0	0	(116,080)
Deferred Revenue	<u>0</u>	<u>(17,452)</u>	<u>0</u>	<u>(31,346)</u>	<u>(48,798)</u>
Adjusted Fund Balance December 31, 2004	<u>\$91,514</u>	<u>\$40,723</u>	<u>\$54,206</u>	<u>\$9,307</u>	195,750
GASB 34 Adjustments					
Deferred Revenue					<u>48,798</u>
Governmental Activities Net Assets, December 31, 2004					<u>\$ 244,548</u>

4. RECEIVABLES

Receivables at December 31, 2005, consisted of intergovernmental receivables arising from grants and entitlements. A summary of the principal items of intergovernmental receivables follows:

Help Me Grow-TANF	\$ 61,143
Help Me Grow-GRF	50,663
Help Me Grow-Part C	64,772
CAPTA	3,300
Ohio Children's Trust	31,346
Total	<u>\$ 211,224</u>

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that might be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council's staff is covered under the Mental Health and Recovery Board's insurance policy. This insurance policy is administered by the Public Entities Pool of Ohio. Acordia administers all comprehensive general liability, employee benefit liability and fleet insurance.

The Public Entities Pool of Ohio (PEP) is a risk-sharing pool available to Ohio local governments. The Pool 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

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Council's share of these unpaid claims collectible in future years is approximately \$40,000. This payable includes the subsequent year's contribution due if the Council 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>Contributions to PEP</u>	
2003	\$20,085
2004	\$19,905
2005	\$20,187

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must 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 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 was incurred or reported prior to the withdrawal.

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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*

Family and Children First Council
Clermont County
1088 Wasserman Way, Suite B
Batavia, Ohio 45103

To the Members of Council:

We have audited the financial statements of the governmental activities and each major fund of the Family and Children First Council, Clermont County, Ohio (the Council), as of and for the year ended December 31, 2005, which collectively comprise the Council's basic financial statements and have issued our report thereon dated October 1, 2007, in which we noted the District adopted Governmental Accounting Standards Board Statements No. 34. 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 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.

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 management and Council. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

October 1, 2007

**FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 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	The Council's General and Special Revenue funds are commingled in one fund on the County's accounting system. The County is the fiscal agent for the Council.	Partially Corrected	The Council's administrative agent maintains individual fund activity and balances on a separate accounting system.



Mary Taylor, CPA
Auditor of State

FAMILY AND CHILDREN FIRST COUNCIL

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 18, 2007**