



**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006**



**Mary Taylor, CPA**  
Auditor of State



**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

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# Mary Taylor, CPA

Auditor of State

Family and Children First Council  
Erie County  
4405 Galloway Road  
Sandusky, Ohio 44870-6026

To the Council:

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 an 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 adverse 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 "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 25, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Family and Children First Council  
Erie County  
4405 Galloway Road  
Sandusky, Ohio 44870-6026

To the Council:

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

We conducted our audits 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 audits 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 audits provide 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. 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 follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

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 October 25, 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 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 audits.



**Mary Taylor, CPA**  
Auditor of State

October 25, 2007



**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$63,324	\$143,234	\$206,558
Charges for Services	38,732	268,426	307,158
Local Agency Contributions	49,140	32,572	81,712
	<u>151,196</u>	<u>444,232</u>	<u>595,428</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries & Benefits	72,528	46,115	118,643
Travel Expenses	2,132	1,337	3,469
Conferences and Training	600		600
Office Supplies, Postage and Printing	831	8,669	9,500
Contract Services	7,226	896	8,122
Telephone Expense	204	368	572
Audit Expense	1,518		1,518
Miscellaneous	40	17,701	17,741
Consumer and Agency Services	9,316	388,366	397,682
	<u>94,395</u>	<u>463,452</u>	<u>557,847</u>
Total Cash Receipts Over / (Under) Cash Disbursements	56,801	(19,220)	37,581
Fund Cash Balances, January 1	4,881	91,671	96,552
<b>Fund Cash Balances, December 31</b>	<b><u>\$61,682</u></b>	<b><u>\$72,451</u></b>	<b><u>\$134,133</u></b>

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

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$25,681	\$233,488	\$259,169
Charges for Services	17,775	226,483	244,258
Local Agency Contributions	39,605	86,356	125,961
	<u>83,061</u>	<u>546,327</u>	<u>629,388</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries & Benefits	79,513	49,404	128,917
Travel Expenses	2,980	2,479	5,459
Conferences and Training	1,100	197	1,297
Equipment	511	620	1,131
Office Supplies, Postage and Printing	770	3,890	4,660
Contract Services	2,369	2,799	5,168
Telephone Expense	316	467	783
Audit Expense	5,626		5,626
Consumer and Agency Services	1,137	477,524	478,661
	<u>94,322</u>	<u>537,380</u>	<u>631,702</u>
Total Cash Receipts Over / (Under) Cash Disbursements	(11,261)	8,947	(2,314)
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		941	941
Transfers-Out		(941)	(941)
		<u>          </u>	<u>          </u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(11,261)	8,947	(2,314)
Fund Cash Balances, January 1	<u>16,142</u>	<u>82,724</u>	<u>98,866</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$4,881</u></b>	<b><u>\$91,671</u></b>	<b><u>\$96,552</u></b>

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

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Ohio Revised Code § 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, 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. If a board of alcohol, drug addiction, and mental health services covers more than one county, the director may designate a person to participate on the county's council;
- b. The health commissioner, or the commissioner's designee, of the board of health of each city and general health district in the county;
- c. The director of the county department of job and family services;
- d. The executive director of the public children services agency;
- e. The superintendent of the county board of mental retardation and developmental disabilities;
- f. 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 board of county commissioners of its determination at least biennially;
- g. 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;
- h. A representative of the municipal corporation with the largest population in the county;
- i. The president of the board of county commissioners or an individual designated by the board;
- j. A representative of the regional office of the department of youth services;
- k. A representative of the county's head start agencies, as defined in section 3301.32 of the Revised Code;
- l. 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;"
- m. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families; and

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

- n. At least three individuals who are not employed by an agency represented on the council and whose families are or have received services from an agency 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.

The county's juvenile court judge senior in service shall serve as the Council's judicial advisor.

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. 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, 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;"
- 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 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 basis is similar to the cash receipts and disbursements accounting 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.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**C. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

Help Me Grow – This fund receives federal, state and local funds to implement and maintain a coordinated, community-based infrastructure that promotes trans-disciplinary, family-centered services for expectant parents, newborns, infants and toddlers and their families.

Care-A-Van – This fund receives state and local funds to act as a mobile unit that takes services such as the community family resource center, wellness exams, immunizations and screenings to the citizens of Erie County in order to promote healthy families and safe children.

**D. Administrative Agent**

The Erie County Commissioners serve as administrative agent for the Council. Council funds are maintained in a separate agency fund by the Erie County Auditor.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually by the Council and the budget be filed with the administrative agents. Annual budgets that followed the calendar fiscal year were not approved and filed for fiscal years 2006 and 2005.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. EQUITY IN POOLED CASH**

The Erie County Treasurer maintains a cash pool used by all the County's funds, including those of the Family and Children First Council. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash on deposit with the County at December 31, 2006, was \$134,133 and at December 31, 2005, was \$96,552. The County as fiscal agent for the Council is responsible for maintaining adequate depository collateral for all funds in the agent's pooled and deposit accounts.

**3. RETIREMENT SYSTEM**

The Council's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries. The Council contributed an amount equal to 13.7% and 13.55%, respectively, of participants' gross salaries. The Council has paid all contributions required through December 31, 2006.

**4. RISK MANAGEMENT**

The Council is insured for general liability and casualty by the Erie County Commissioners.

**5. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes such refunds, if any, would not be material



# 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  
Erie County  
4405 Galloway Road  
Sandusky, Ohio 44870-6026

To the Council:

We have audited the financial statements of the Family and Children First Council, Erie County, (the Council) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 25, 2007, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principals generally accepted in the United States of America. We conducted our audits 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.

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

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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 and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the Council's management in a separate letter dated October 25, 2007.

#### **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 audits 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 did note certain noncompliance that we reported to the Council's management in a separate letter dated October 17, 2007.

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

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



**Mary Taylor, CPA**  
Auditor of State

October 25, 2007



**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Significant Deficiency**

**Financial Reporting**

We found several errors requiring adjustment to the financial statements. In 2006, the Fiscal Officer incorrectly recorded \$102,056 in the General Fund as local agency contributions receipts rather than intergovernmental receipts of \$63,324 and charges for services of \$38,732. Also, the Fiscal Officer incorrectly recorded \$300,998 in the Special Revenue Fund Type as intergovernmental receipts rather than charges for services of \$268,426 and local agency contributions of \$32,572.

In addition, we found that in 2005 the Fiscal Officer incorrectly recorded \$25,681 in the General Fund as local agency contribution receipts rather than intergovernmental receipts of \$7,906 and charges for services of \$17,775. Also in 2005, the Fiscal Officer incorrectly recorded \$312,839 in the Special Revenue Fund Type as intergovernmental receipts rather than charges for services of \$226,483 and local agency contributions of \$86,356 in 2005.

Sound financial reporting is the responsibility of the Family and Children First Council Board and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Council's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council Board Members, to identify and correct errors and omissions.

**Officials' Response:**

Management will work with the County Auditor to ensure that receipts are recorded into the proper account. Also, the audit/finance committee will review reports at the regularly scheduled Council meetings and review for accuracy.





**Mary Taylor, CPA**  
Auditor of State

**FAMILY AND CHILDREN FIRST COUNCIL**

**ERIE 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 27, 2007**