



**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY COUNTY**

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Mary Taylor, CPA
Auditor of State

Henry Family and Children First Council
Henry County
1843 Oakwood Avenue
Napoleon, Ohio 43545-9243

To the Members of 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 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 26, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Henry Family and Children First Council
Henry County
1843 Oakwood Avenue
Napoleon, Ohio 43545-9243

To the Members of the Council:

We have audited the accompanying financial statements of the Henry Family and Children First Council, Henry 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires 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 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 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Henry Family and Children First Council, Henry 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 26, 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.



Mary Taylor, CPA
Auditor of State

October 26, 2007

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$20,000	\$235,091	\$255,091
Other receipts		12,365	12,365
Total Cash Receipts	<u>20,000</u>	<u>247,456</u>	<u>267,456</u>
Cash Disbursements:			
Salaries	10,561	148,054	158,615
Supplies	209	13,367	13,576
Insurance		2,375	2,375
Equipment		2,386	2,386
Contracts - Services	667	27,770	28,437
Travel	746	10,505	11,251
Advertising and printing	98	854	952
Public employee's retirement	1,512	19,066	20,578
Medicare Tax	152	2,122	2,274
Worker's compensation	300	2,972	3,272
Other	1,101	6,702	7,803
Total Cash Disbursements	<u>15,346</u>	<u>236,173</u>	<u>251,519</u>
Total Cash Receipts Over Cash Disbursements	<u>4,654</u>	<u>11,283</u>	<u>15,937</u>
Other Financing Receipts/(Disbursements):			
Other sources		25,000	25,000
Other uses		(25,000)	(25,000)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	4,654	11,283	15,937
Fund Cash Balances, January 1	<u>16,035</u>	<u>22,894</u>	<u>38,929</u>
Fund Cash Balances, December 31	<u><u>\$20,689</u></u>	<u><u>\$34,177</u></u>	<u><u>\$54,866</u></u>

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

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$20,000	\$167,249	\$187,249
Other receipts		11,838	11,838
Total Cash Receipts	<u>20,000</u>	<u>179,087</u>	<u>199,087</u>
Cash Disbursements:			
Salaries	10,081	110,652	120,733
Supplies	113	7,378	7,491
Insurance		331	331
Equipment	1,320		1,320
Contracts - Services	8,667	21,954	30,621
Travel	305	11,195	11,500
Advertising and printing	281	708	989
Public employee's retirement	1,254	15,011	16,265
Medicare Tax	144	1,602	1,746
Worker's compensation	99	1,468	1,567
Other	4,276	4,005	8,281
Total Cash Disbursements	<u>26,540</u>	<u>174,304</u>	<u>200,844</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(6,540)</u>	<u>4,783</u>	<u>(1,757)</u>
Fund Cash Balances, January 1	<u>22,575</u>	<u>18,111</u>	<u>40,686</u>
Fund Cash Balances, December 31	<u><u>\$16,035</u></u>	<u><u>\$22,894</u></u>	<u><u>\$38,929</u></u>

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

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY 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;
- b. The health commissioner of the board of health of each city or general health district in the county, or their designees;
- c. The director of the county department of job and family services;
- d. The executive director of the county agency responsible for the administration of children 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;
- 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 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";

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- 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 20 percent of the council's remaining membership.

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;
- 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 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.

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY 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 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 by law or contract to be restricted.

2. Special Revenue Funds

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

Family Council Restricted Fund – This fund is used for all federal, state and local grants to be used for supporting and assisting low income families with children.

D. Administrative Agent

The Henry County Department of Health serves as administrative agent for the Council. Council funds are maintained in separate agency funds by the Henry County Auditor.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budget annually by the Council and the budget filed with the administrative agent. Appropriations lapse at year end.

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.

2. EQUITY IN POOLED CASH

The Henry County Treasurer maintains a cash pool used by all the County's funds, including those of the Henry 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 \$54,866 and at December 31, 2005, was \$38,929. 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.

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY COUNTY**

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

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,695	\$20,000	(\$7,695)
Special Revenue	243,350	272,456	29,106
Total	\$271,045	\$292,456	\$21,411

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,695	\$15,346	\$12,349
Special Revenue	267,364	261,173	6,191
Total	\$295,059	\$276,519	\$18,540

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,550	\$20,000	(\$5,550)
Special Revenue	206,100	179,087	(27,013)
Total	\$231,650	\$199,087	(\$32,563)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,050	\$26,540	\$510
Special Revenue	206,100	174,304	31,796
Total	\$233,150	\$200,844	\$32,306

4. RETIREMENT SYSTEM

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

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

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY COUNTY**

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

5. RISK MANAGEMENT

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

6. CONTINGENT LIABILITIES

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

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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*

Henry Family and Children First Council
Henry County
1843 Oakwood Avenue
Napoleon, Ohio 43545-9243

To the Members of Council:

We have audited the financial statements of the Henry Family and Children First Council, Henry County, (the Council) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 26, 2007, wherein we noted the Council followed accounting practices the Auditor of State prescribes or 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 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. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Council's management in a separate letter dated October 26, 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 audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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



Mary Taylor, CPA
Auditor of State

October 26, 2007

**HENRY FAMILY AND CHILDREN FIRST COUNCIL
HENRY COUNTY**

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

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

FINDING NUMBER 2006-001

Material Weakness

Monitoring of Financial Transactions

Inaccurate posting of transactions impedes the ability of the governing board to accurately assess the financial status of the Council. We noted examples such as the following during our audit:

- Revenue in the amount of \$25,000 from the Henry Health Department received and repaid in 2006 was not included in the Special Revenue Fund of the annual report.
- Revenues in the Special Revenue Fund of \$15,416 in 2005 and \$12,650 in 2006 were incorrectly posted between intergovernmental revenue and other revenue each year.
- Two transactions in the total amount of \$12,514 were incorrectly credited to General Fund instead of the Special Revenue Fund in 2005. In addition, these two transactions were incorrectly classified as other revenue instead of intergovernmental revenue.

As a result, the Council's financial statements did not correctly reflect the financial activity of the Council. The accompanying financial statements have been adjusted so these transactions reflect their intended use.

To ensure the Council's financial statements and notes to the statements are complete and accurate, we recommend that Council adopt policies and procedures, including a final review of the statements and notes by the Administrative Agent and Council, to identify and correct errors and omissions.

Official's Response:

Management did not respond to this finding.



Mary Taylor, CPA
Auditor of State

FAMILY AND CHILDREN FIRST COUNCIL

HENRY 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**