

***MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST  
COUNCIL***

**MONTGOMERY COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2006**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Montgomery County Family and Children First Council  
451 West Third Street  
9<sup>th</sup> Floor  
Dayton, Ohio 45422

We have reviewed the *Report of Independent Accountants* of the Montgomery County Family and Children First Council, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Montgomery County Family and Children First Council is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 17, 2007

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**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL**  
**MONTGOMERY COUNTY**  
**AUDIT REPORT**

For the year ended December 31, 2006

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Montgomery County Family and Children First Council  
451 West Third Street, 9<sup>th</sup> Floor  
Dayton, Ohio 45422

To the Council:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Montgomery County Family and Children First Council (the Council), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.

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

In our opinion, the basic 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 Council as of December 31, 2006, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, the Help Me Grow (HMG) Fund and the Wellness Fund thereof for the year then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis on pages 3 to 7 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 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, 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Council's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Council. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

***Charles E. Harris & Associates, Inc.***

June 13, 2007

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)**

This discussion and analysis of the Montgomery 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, 2006, within the limitations of the Council's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Council's financial performance.

**Highlights**

Key highlights for 2006 are as follows:

- Total net assets decreased \$277,453 during fiscal year 2006, which represents a 16% decrease from fiscal year 2005.
  - The primary reason for this decrease is specific to the Council's restricted funds. Restricted fund net assets decreased by \$256,163 due to the timing of funds received from the Ohio Department of Health (ODH) and the Montgomery County Department of Job and Family Services (MCDJFS) to support the State of Ohio's Help Me Grow program for children ages birth through their third birthday. The timing of receipts vs. payments resulted in net assets of \$74,938 vs. \$331,101 at the close of 2005.
  - The Council's general fund net assets decreased by \$21,290 due to an increase in filled staffing positions.
- The Council's revenues are from support from Federal, State and County government. These receipts are 100% of the Council's revenues.
  - The County support of \$465,250 came from the Human Services Levy for general fund operations.
  - The State FCF provided \$20,000 in support of general fund operations.
  - The ODH provided \$1,520,353 in federal TANF funds (passed through MCDJFS), \$436,177 in state general revenue funds, and \$295,522 in federal part C funds for the Help Me Grow program.
  - The MCDJFS provided \$681,479 in federal TANF funds to support of the Wellness program.

**Using the Basic Financial Statements**

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



**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)  
(Continued)**

**Reporting Components**

The statement of net assets and the statement of revenues, expenses and changes in net assets provide information about the cash position and the changes in cash position at the entity wide level. The statement of cash basis assets and fund balances and the statement of cash receipts, disbursements and changes in cash basis fund balances report the Council's cash position and the changes in cash position by major fund. The statement of cash receipts, disbursements and changes in cash basis fund balance budget-and-actual-budget basis provides original and final budgeted amounts, with variances reflecting comparison of final budgeted amounts with actual receipts and expenditures. The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Council has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Council's cash basis of accounting, receipts are recognized when received in cash, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of revenues, expenses and changes in net assets reflect how the Council did financially during 2006, within the limits of cash basis accounting. The statement of net assets presents the cash balances of the Council at year end. The statement of activities presents the receipt and disbursement activity during 2006.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)  
(Continued)**

Table 1 provides a summary of the Council's net assets for 2006 compared to 2005 on a cash basis:

**TABLE 1  
NET ASSETS**

<b><u>ASSETS:</u></b>	<b><u>2006</u></b>	<b><u>(Restated see Note 8 2005</u></b>
Cash and Cash Equivalents	\$ 1,445,951	\$ 1,723,404
Total Assets	<u>\$ 1,445,951</u>	<u>\$ 1,723,404</u>
<b><u>NET ASSETS:</u></b>		
Restricted	\$ 74,938	\$ 331,101
Unrestricted	1,371,013	1,392,303
Total Net Assets	<u>\$ 1,445,951</u>	<u>\$ 1,723,404</u>

As mentioned previously, net assets decreased \$277,453 or 16% during 2006. The primary reason for this decrease is specific to the timing of funds received from the Ohio Department of Health (ODH) and the Montgomery County Department of Job and Family Services (MCDJFS) to support the State of Ohio's Help Me Grow program.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)  
(Continued)**

Table 2 reflects the changes in net assets during 2006:

**TABLE 2  
CHANGE IN NET FUND BALANCES**

	2006	2005
<b>PREGRAM RECEIPTS:</b>		
Operating Grants	\$ 2,947,332	\$ 3,769,469
<b>GENERAL RECEIPTS:</b>		
Human Services Levy	491,331	475,250
Miscellaneous		<u>7</u>
Total Receipts	3,438,663	4,244,726
<b>DISBURSEMENTS:</b>		
General Government	512,621	354,952
Social Services	<u>3,203,495</u>	<u>3,522,331</u>
Total Disbursements	<u>3,716,116</u>	<u>3,877,283</u>
Excess Receipts Over (Under) Disbursements	(277,453)	367,443
Fund Balances, Beginning of Year, Restated, See Note 8	<u>1,723,404</u>	<u>1,355,961</u>
Fund Balances, End of Year	<u>\$ 1,445,951</u>	<u>\$ 1,723,404</u>

Intergovernmental revenue represented 100% of total receipts and is primarily comprised of federal, state and county government receipts. The largest category of disbursements were for specific restricted grant services provided to support the Help Me Grow and Wellness programs through contractors in the community.

These statements report the Council's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Council's financial health. Over time, increases or decreases in the Council's cash position is one indicator of whether the Council's financial health is improving or deteriorating. When evaluating the Council's financial condition, you should consider other non-financial factors as well as the condition of the Council's capital assets and infrastructure, the extent of the Council's reliance on non-local financial resources for operations and the need for continued growth in other local revenue sources.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)  
(Continued)**

**Capital Assets and Debt Administration**

The Council has no capital assets and no debt.

**Budgetary Highlights**

The Council made numerous revisions to the original appropriation approved by the Council and the Council's fiscal agent, the Montgomery County Board of County Commissioners. Overall, these changes resulted in little significant change in the fund balance. During 2006, the District spent about 93% of the amount appropriated in the General Fund. The District's 2006 financial statements include budgetary statements for the General Fund, the Help Me Grow (HMG) Fund and the Wellness Fund.

**Contacting the Council's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Council's finances and to reflect the Council's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tom Kelley, Director, Montgomery County Office of Family and Children First, 451 West Third Street, 9<sup>th</sup> Floor, Dayton, Ohio 45422.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS – CASH BASIS  
DECEMBER 31, 2006**

	<u>Governmental Activities</u>
Assets	<u>2006</u>
Cash and Cash Equivalents	\$1,445,951
Total Assets	<u>1,445,951</u>
Net Assets	
Restricted	74,938
Unrestricted	1,371,013
Total Net Assets	<u>\$1,445,951</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES – CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>			
General Government	\$ 512,621	\$ -	\$ (512,621)
Social Services	3,203,495	2,947,332	(256,163)
<b>Total Government Activities</b>	<u>\$ 3,716,116</u>	<u>\$ 2,947,332</u>	<u>(768,784)</u>
<b>General Revenues:</b>			
Human Services Levy			491,331
<b>Total General Receipts</b>			<u>491,331</u>
<b>Change in Net Assets</b>			(277,453)
<b>Net Assets - Beginning of Year, restated see Note 8</b>			1,723,404
<b>Net Assets - End of Year</b>			<u>\$ 1,445,951</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	General	Help Me Grow (HMG)	Wellness	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,371,013	\$ 74,938	\$ -	\$ 1,445,951
Total Assets	1,371,013	74,938	-	1,445,951
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	9,899	2,446,503	-	2,456,402
Unreserved:				
Undesignated, Reported in:				
General Fund	1,361,114	-	-	1,361,114
Special Revenue	-	(2,371,565)	-	(2,371,565)
Total Fund Balances	\$ 1,371,013	\$ 74,938	\$ -	\$ 1,445,951

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

	General	Help Me Grow (HMG)	Wellness	Total Governmental Funds
<b>Receipts</b>				
Governmental	\$ 491,331	\$ 2,265,853	\$ 681,479	\$ 3,438,663
Total Receipts	491,331	2,265,853	681,479	3,438,663
<b>Disbursements</b>				
Personnel Related	305,465	-	-	305,465
Intergovernmental Disbursement	45,681	-	681,479	727,160
Contractual Services	-	2,522,016	-	2,522,016
Supplies and Materials	7,665	-	-	7,665
Professional Services	64,088	-	-	64,088
Rent, Advertising and Operating	74,250	-	-	74,250
Capital Outlay	15,472	-	-	15,472
Total Disbursements	512,621	2,522,016	681,479	3,716,116
Change in Fund Balances	(21,290)	(256,163)	-	(277,453)
Net Assets Beginning of Year Restated, Note 8	1,392,303	331,101	-	1,723,404
Net Assets End of Year	<u>\$1,371,013</u>	<u>\$ 74,938</u>	<u>\$ -</u>	<u>\$ 1,445,951</u>

*See accompanying notes to the basic financial statements.*



**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BASIS FUND BALANCE – BUDGET AND ACTUAL – BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<b>Receipts</b>				
Human Services Levy	\$ 465,250	\$ 465,250	\$ 465,250	\$ -
Miscellaneous	20,000	26,081	26,081	-
<b>Total Receipts</b>	<u>485,250</u>	<u>491,331</u>	<u>491,331</u>	<u>-</u>
<b>Disbursements</b>				
Personnel Related	302,191	313,119	305,464	7,655
Intergovernmental				
Disbursements	45,681	45,681	45,681	0
Supplies and Materials	13,500	9,510	7,665	1,845
Professional Services	75,800	71,739	63,906	7,833
Rent, Advertising and Operating	47,619	93,110	84,306	8,804
Capital Outlay	12,000	15,600	15,498	102
<b>Total Disbursements</b>	<u>496,791</u>	<u>548,759</u>	<u>522,520</u>	<u>26,239</u>
Receipts Over Disbursements	(11,541)	(57,428)	(31,189)	26,239
Fund Balance Beginning of Year	1,378,692	1,378,692	1,378,692	-
Prior Year Encumbrances Appropriated	13,611	13,611	13,611	-
<b>Fund Balance End Of Year</b>	<u>\$ 1,380,762</u>	<u>\$ 1,334,875</u>	<u>\$ 1,361,114</u>	<u>\$ 26,239</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BASIS FUND BALANCE-BUDGET AND ACTUAL- BUDGET BASIS  
HELP ME GROW (HMG) FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Receipts</b>				
Intergovernmental	<u>\$3,344,031</u>	<u>\$3,344,031</u>	<u>\$2,265,853</u>	<u>\$(1,078,178)</u>
Total Receipts	3,344,031	3,344,031	2,265,853	(1,078,178)
<b>Disbursements</b>				
Contractual Services	2,125,591	2,125,591	4,968,519	(2,842,928)
Total Disbursements	<u>2,125,591</u>	<u>2,125,591</u>	<u>4,968,519</u>	<u>(2,842,928)</u>
Receipts (Under) Disbursements	1,218,440	1,218,440	(2,702,666)	(3,921,106)
Fund Balance Beginning of Year	<u>331,101</u>	<u>331,101</u>	<u>331,101</u>	<u>-</u>
Fund Balance End of Year	<u><u>\$1,549,541</u></u>	<u><u>\$1,549,541</u></u>	<u><u>\$(2,371,565)</u></u>	<u><u>\$(3,921,106)</u></u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BASIS FUND BALANCE - BUDGET AND ACTUAL – BUDGET BASIS  
WELLNESS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$ 566,500	\$ 566,500	\$ 681,479	\$ 114,979
Total Revenues	566,500	566,500	681,479	114,979
<b>Disbursements</b>				
Contractual Services	566,500	566,500	681,479	(114,979)
Total Disbursements	566,500	566,500	681,479	(114,979)
Receipts Over (Under) Disbursements	-	-	-	-
Fund Balance Beginning of Year	-	-	-	-
Fund Balance End Of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

**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 Council and permitted counties to establish county family and children first councils. Montgomery County Family and Children First Council (the Council) is a government entity that is directly concerned with issues of fact or policy on matter other than the improvement of the law, the legal system, or the administration of justice. The Council may invite any other local public or private agency or group that funds, advocates, provides services to children to have a representative become a permanent or temporary member of the council.

The Council's statutory responsibilities include the following:

- Refer to the cabinet council those children for whom the council cannot provide adequate services;
- Make periodic reports to the cabinet council regarding the number of children referred to county council and the progress made in meeting the needs of each child;
- Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invent new approaches to achieve better results for families and children;
- Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, interagency system for infant 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";
- Maintain an accountability system to monitor the Council's progress in achieving its purposes;
- Establish a mechanism to ensure ongoing input from a board representation of families who are receiving services within the county system.

The Council was officially recognized as being established by the Governor on March 30, 1995. The purpose of the Council is to create and sustain an efficient, effective, and responsive countywide system to provide: human, social, health and educational services to families and children.

The Council meets on a quarterly basis.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

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

**B. Reporting Entity**

A reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Council consists of all funds, departments, and activities that are not legally separate from the Council. They comprise the Council's legal entity which provides various services including human, social, health and educational services to families and children. The Council, the Steering Committee, and the Director have direct responsibility for these activities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

These financial statements follow the cash basis of accounting.

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.

**1. Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the Council as a whole. These statements include the financial activities of the primary government.

The Statement of Net Assets presents the financial condition of the governmental activities of the Council at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Council's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 each governmental program is self-financing or draws from the general revenues of the Council.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

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

**2. Fund Financial Statements**

During the year, the Council segregates transactions related to certain Council function 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. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**3. 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. The Council utilizes the governmental category of funds.

**4. Governmental Funds**

Governmental funds are those through which most governmental functions of the Council typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the Council's major governmental funds.

**General Fund** - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The general Fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the Council.

**Help Me Grow (HMG) Fund** – The Help Me Grow (HMG) Fund is used to account for revenue received and expended from State Help Me Grow and Federal TANF grant monies.

**Wellness Fund** - The Wellness Fund is used to account for revenue received and expended from Federal TANF grant monies.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

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

**5. Measurement Focus**

The Council has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Council's cash basis of accounting, receipts are recognized when received in cash, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

**6. Basis of Accounting**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**B. Cash**

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

**C. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Acquisitions of property are not reflected as an asset under the basis of accounting the Council uses.

**D. Long-term Debt Obligations**

The Council did not have any bonds or other long-term debt obligations.

**E. Net Assets**

These statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitation on their use.

The Council first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

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

**F. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Council must annually file a budget with its administrative agent. The certificate of estimated resources establishes a limit on the amount the Council may appropriate. The appropriations resolution is the Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Council. The legal level of budgetary control has been established by the Council at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by the Council.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts representing the final appropriation amounts passed by the Council during the year.

**G. Accumulated Leave**

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



**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

**3 CASH AND CASH EQUIVALENTS**

The Montgomery County Commissioners maintain a cash pool used by all of the County's funds, including those of the Family and Children First Council. The Ohio Revised Code prescribes allowable deposits and investments. At year-end, the carrying amount of the Council's deposits with the Montgomery County Commissioners was \$1,445,951. The Montgomery County Board of County Commissioners, as the fiscal agent for the Council, is responsible for maintaining adequate depositor collateral for all funds in the County's pooled cash and deposit accounts.

**4 CONTRACTUAL COMMITMENTS**

At December 31, 2006, the Council had \$2,697,041 in contractual commitments for services provided to children and families. These contracts will be funded by federal and state program grants.

<u>Contractor</u>	<u>Amount</u>
Fidelity Health Care	\$ 44,068
Kettering Medical Center	44,068
Greater Dayton Area Hospital Association	2,288,992
Catholic Social Services	71,924
Abstinence Resource Center	10,000
Dayton Urban League	47,956
East End Community Center	47,311
Girls Scouts of Buckeye Trail	70,000
YWCA	18,972
Wesley Community Center	37,500
Planned Parenthood	16,250
Total:	\$ 2,697,041

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

**5 RISK MANAGEMENT**

The Council is covered under the County's insurance policies. The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The County accounts for its risk management activities in Internal Service funds which also finance its uninsured risk of loss. Under these programs the Internal Service funds provide coverage for up to a maximum of \$250,000 for workers' health care claims, \$300,000 for each workers' compensation claim, \$500,000 for each general liability claim and \$100,000 for each property damage claim. For health care and property and casualty loss programs, the County purchases commercial insurance for claims in excess of coverage provided by the Fund and for other risks of loss. For the workers' compensation program, the County pays premiums to the State Bureau of Workers' Compensation for claims in excess of coverage provided by the Fund. In addition, the Fund pays assessments to the Bureau of Workers' Compensation for administration and payments of claims. The County purchases commercial insurance for non-self-funded employee health-care benefits programs. For all of the County's insurance programs, settled claims have not exceeded commercial coverage in any of the past three years, nor have coverages been reduced in the past year.

**6 PENSION OBLIGATIONS**

*(a) Plan Description*

The Council contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost sharing, multiple-employer public employee retirement system. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries through three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under this plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under this plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. Chapter 145 of the Ohio Revised Code assigns the Council to establish and amend benefit provisions to the OPERS board of trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-466-2085 or 1-800-222-PERS (7377).

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

(Continued)

**(b) Funding Policy**

Plan members are required to contribute a percentage of their annual covered salary (9% in 2006 and 8.5% in 2005), and the Council is required to contribute an actuarially determined rate. The employer contribution rate for 2006 was 13.7%, 13.55% for 2005 and 2004 of annual covered payroll. The contribution requirements of plan members and the Council are established and may be amended by the Board. The Council's contributions to OPERS for the years ending December 31, 2006, 2005, and 2004 \$33,817, \$24,502, and \$25,737, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

**7. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

OPERS also provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. As required by state statute, a portion of each employer's contribution to OPERS (see note 7) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory Council for employer contributions. The contribution rates of 13.7% and 13.55% to the Plan for the years ended December 31, 2006 and 2005, respectively included a portion (4.5% in 2006 and 4% in 2005) that was used to fund healthcare. The Council's contributions for post-employment benefits were approximately \$11,107 and \$7,233 for the years ended December 31, 2006 and 2005, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

The Ohio Revised Code provides the statutory Council requiring public employers to fund postretirement health care through their contributions to OPERS.

***Summary of assumptions***

*Actuarial Review* – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2005.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

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

*Funding Method* – The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

*Assets Valuation Method* – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of the unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

*Investment Return* – The investment assumption rate for 2005 was 6.5%.

*Active Employee Total Payroll* – An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%.

*Health Care* – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension Plan and Combined Plans at December 31, 2005 was 369,214. The actuarial value of the Retirement System’s net assets available for OPEB at December 31, 2005 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability at December 31, 2005, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

**8. CASH RESTATEMENT**

The Council has restated the beginning cash balance for the General Fund. The Council is restating its beginning General Fund cash balances to reflect these disbursements.

General Fund Balance	December 31, 2005	\$ 1,395,719
Prior Period Adjustment		<u>(3,416)</u>
General Fund Balance	January 1, 2006	<u>\$ 1,392,303</u>

The governmental activities net assets also changed by the same amount from the prior year.

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed through Ohio Department of Education</i>			
Special Education Grants for Infants and Families with Disabilities (Help Me Grow - Part C)	5710021EG06	84.181	\$ 404,304
	5710021EG07		<u>170,212</u>
Total United States Department of Education			<u>574,516</u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through the Montgomery County Department of Job and Family Services</i>			
Temporary Assistance to Needy Families (TANF) - Wellness Program	SFY06	93.558	510,870
TANF - Wellness Program	SFY07		170,609
TANF - Help Me Grow	SFY06		1,024,185
TANF - Help Me Grow	SFY07		<u>496,165</u>
Total United States Department of Health and Human Services			<u>2,201,829</u>
<b>Total Federal Assistance</b>			<u><u>\$ 2,776,345</u></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2006**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Montgomery County Family and Children First Council  
451 West Third Street, 9<sup>th</sup> Floor  
Dayton, Ohio 45422

To the Council:

We have audited the financial statements of the Montgomery County Family and Children First Council (the Council) as of and for the year ended December 31, 2006, and have issued our report thereon dated June 13, 2007, wherein we noted the Council followed the cash basis of accounting, a comprehensive accounting basis other 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Council in a separate letter dated June 13, 2007.

This report is intended solely for the information and use of the finance committee, management, the Council and federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris & Associates, Inc.***

June 13, 2007



Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone - (216) 575-1630  
Fax (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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

Montgomery County Family and Children First Council  
451 West Third Street, 9<sup>th</sup> Floor  
Dayton, Ohio 45422

To the Council:

**Compliance**

We have audited the compliance of the Montgomery County Family and Children First Council, (the Council), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Council's major federal program. The Council's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

**Internal Control Over Compliance**

The Council's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management, the Council, and federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***

June 13, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL  
MONTGOMERY COUNTY  
December 31, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA # 93.558 - Temporary Assistance to Needy Families (TANF) CFDA # 84.181 - Special Education Grants for Infants and Families with Disabilities - Help Me Grow
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL**  
**MONTGOMERY COUNTY**  
**December 31, 2006**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

## **SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending December 31, 2005, reported no material citations or recommendations.





**Mary Taylor, CPA**  
Auditor of State

**FAMILY AND CHILDREN FIRST COUNCIL**

**MONTGOMERY 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  
AUGUST 30, 2007**