

Family and Children First Council
Guernsey County, Ohio
Regular Audit
For the Years Ended December 31, 2008 and 2007
Years Audited Under GAGAS: 2008 and 2007



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: (740) 289-4131 Fax: (740) 289-3639



Mary Taylor, CPA

Auditor of State

Guernsey Family and Children First Council
324 Highland Avenue
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the Guernsey Family and Children First Council, Guernsey County, prepared by Balestra, Harr & Scherer. CPAs, Inc., for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Guernsey Family and Children First Council is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 22, 2009

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Guernsey County, Ohio
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Balestra, Harr & Scherer, CPAs, Inc.

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Independent Auditor's Report

Family and Children First Council
Guernsey County, Ohio
324 Highland Avenue
Cambridge, Ohio 43725

We have audited the accompanying financial statements of the Family and Children First Council, Guernsey County, Ohio, (the Council) as of and for the years ended December 31, 2008 and 2007. 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 that 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.

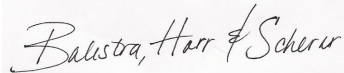
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2008 and 2007, 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 Council, as of the December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Family and Children First Council
Guernsey County, Ohio
Independent Auditor's Report
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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 July 29, 2009, 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.



Balestra, Harr & Scherer, CPAs, Inc.
July 29, 2009

Family and Children First Council
Guernsey County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$18,520	\$242,556	\$261,076
Total Cash Receipts	<u>18,520</u>	<u>242,556</u>	<u>261,076</u>
Cash Disbursements:			
Supplies and Materials	199	173	372
Conferences and Training	124	973	1,097
Contracted Services	29,041	248,834	277,875
Advertising	483	0	483
Supportive Services	150	2,266	2,416
Grant Administrative Costs	0	8,530	8,530
Miscellaneous	95	1,161	1,256
Total Cash Disbursements	<u>30,092</u>	<u>261,937</u>	<u>292,029</u>
Total Receipts Under Disbursements	(11,572)	(19,381)	(30,953)
Other Financing Disbursements:			
Refund of Grant Funding	0	(3,979)	(3,979)
Total Other Financing Disbursements	<u>0</u>	<u>(3,979)</u>	<u>(3,979)</u>
Deficiency of Cash Receipts Receipts Under Cash Disbursements and Other Financing Disbursements	(11,572)	(23,360)	(34,932)
Fund Cash Balances, January 1	<u>45,669</u>	<u>113,744</u>	<u>159,413</u>
Fund Cash Balances, December 31	<u>\$34,097</u>	<u>\$90,384</u>	<u>\$124,481</u>

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

Family and Children First Council
Guernsey County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2007

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Intergovernmental	\$41,549	\$324,819	\$366,368
Total Cash Receipts	41,549	324,819	366,368
Cash Disbursements:			
Supplies and Materials	241	7,567	7,808
Conferences and Training	1,423	225	1,648
Equipment	60	1,536	1,596
Contracted Services	30,352	265,205	295,557
Advertising	1,072	0	1,072
Supportive Services	0	1,660	1,660
Grant Administrative Costs	0	11,190	11,190
Miscellaneous	0	30	30
Total Cash Disbursements	33,148	287,413	320,561
Total Receipts Over Disbursements	8,401	37,406	45,807
Fund Cash Balances, January 1 (As Restated - See Note 4)	37,268	76,338	113,606
Fund Cash Balances, December 31	\$45,669	\$113,744	\$159,413

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

Family and Children First Council
Guernsey County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 1 – Summary of Significant Accounting Policies

A. Description of the Entity

Ohio Revised Code Section 121.37 created the Ohio Family and Children First Cabinet Council and permitted the Board of County Commissioners in each County to establish County Family and Children First Councils. A Board of County Commissioners may invite any other 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 its County Council. Each County must include the following individuals.

1. At least three individuals whose families are or have received services from an agency which is represented on the Council or another County's Council. Where possible, the number of members representing families shall be equal to twenty percent of the Council's membership;
2. The Director of the Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMH) that serves the County, or, in the case of a County that has an ADAMH Board and a Community Mental Health Board, the Directors of both Boards. If the ADAMH Board covers more than one County, the Director may designate a person to participate on the County's Council;
3. The Health Commissioner, or the Commissioner's designee, of the Board of Health of each City and General Health District in the County. If the County has more than two health districts, the Health Commissioner membership may be limited to the Commissioners of the two districts with the largest populations;
4. The Director of the County Department of Job and Family Services;
5. The Executive Director of the County agency responsible for the administration of children's services pursuant to the Ohio Revised Code Section 5153.15;
6. The Superintendent of the County Board of Mental Retardation and Developmental Disabilities;
7. The County's Juvenile Court Judge senior in service or another judge of the Juvenile Court designated by the Administrative Judge or, where there is no Administrative Judge, by the Judge senior in service;
8. 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 Ohio Department of Education at least biennially;
9. 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;
10. A representative of the municipal corporation with the largest population in the County;
11. The President of the Board of County Commissioners, or an individual designated by the Board;
12. A representative from the regional office of the Ohio Department of Youth Services;
13. A representative of the County's Head Start Agencies, as defined in Ohio Revised Code Section 3301.31;
14. 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 of 1986"; and,
15. A representative of a local nonprofit entity that funds, advocates or provides services to children and families.

Family and Children First Council
Guernsey County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Description of the Entity (Continued)

A County Council's statutory responsibilities include the following:

1. Refer to the Cabinet Council those children for whom the Council cannot provide adequate services;
2. Develop and implement a process that annually evaluates and prioritizes services, fills service gaps where possible, and invents new approaches to achieve better results for families and children;
3. Participate in the development of a countywide comprehensive, coordinated, multidisciplinary, 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";
4. Maintain an accounting system to monitor the Council's progress in achieving results for families and children; and,
5. Establish a mechanism to ensure ongoing input from a broad representative of families who are receiving services with the County system.

B. Basis of Accounting

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

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

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:

General Fund

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

Special Revenue Funds

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

Help Me Grow Grant Fund – This fund is used to account for federal and state grant funds to be used for families and children ages birth to three years and pregnant women who are at risk for abuse, neglect or developmental delay.

Family and Children First Council
Guernsey County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

Wellness Block Grant Fund – This fund received state grant funds to focus on reducing teenage pregnancy and provide latitude to local Council to make decisions for funding prevention services.

D. Fiscal and Administrative Agents

Section 121.37(B)(4), Revised Code, requires each County Council to designate an administrative agent for the Council. The Guernsey County Department of Job and Family Services serves as an administrative agent for the Council, and the Guernsey County Auditor is the designated fiscal agent for the Guernsey County Department of Job and Family Services. Guernsey County maintains the Family and Children First Council funds in a special revenue fund in the County's financial records. The administrative agent agrees to:

- a. Serves as the Council's appointing authority;
- b. Exercise spending authority within the limits of the annual budget developed and approved by the Council; and,
- c. Perform the following on behalf of Council, but only upon the expressed approval of and direction by Council:
 - Enter into written agreements or administer contracts with public or private entities to fulfill Council business.
 - Provide financial stipends, reimbursements, or both, to family representatives for expenses related to Council activity.
 - Receive by gift, grants, devise, or bequest any moneys, land, or other property for the purposes for which the Council is established.

E. Budgetary Process

The Council is required by Ohio Revised Code Section 121.37(B)(4) to file an annual estimate of expenditures and revenue with its administrative agent. The Council and County Commissioners ensure that the Council's expenditures do not exceed appropriations. The Council did file the required budget in 2008 and 2007. Budgets were filed based on the grant program year, which ends June 30. As a result, it was not practical to present calendar year information.

Note 2 – Equity in Pooled Cash

In accordance with the Ohio Revised Code, the Council's cash is maintained by the Guernsey County Treasurer, who acts as custodian for the Council's monies. The Ohio Revised Code prescribes allowable deposits and investments and the Council is responsible for compliance. The Council's carrying amounts of cash on deposit with the County at December 31, 2008 and 2007 were \$124,481 and \$159,413, respectively. The Guernsey County Treasurer is responsible for securing and maintaining adequate collateral for all funds in the Guernsey County cash and investment pool and for all risks associated with the Council's deposits.

Family and Children First Council
Guernsey County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 3 – Contingent Liabilities

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

The Council is not currently party to litigation.

Note 4 – Restatement of Beginning Fund Balances

Errors were identified in beginning fund cash balances as a result of improper recording of fund receipts. Restatements were required to correct these errors.

	General Fund	Special Revenue Funds
Fund Cash Balance, December 31, 2006	\$66,674	\$46,932
Restatements	(29,406)	29,406
Restated Fund Cash Balance, January 1, 2007	<u>\$37,268</u>	<u>\$76,338</u>



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Family and Children First Council
Guernsey County, Ohio
324 Highland Avenue
Cambridge, Ohio 43725

We have audited the accompanying financial statements of the Family and Children First Council, Guernsey County, Ohio, (the Council), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 29, 2009, wherein we noted the Council follows the 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 and responses to be a significant deficiency in internal control over financial reporting: 2008-1.

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 deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2008-1 is also a material weakness.

Family and Children First Council
Guernsey County, Ohio

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*

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Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Council's management in a separate letter dated July 29, 2009.

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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 management and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

July 29, 2009

Family and Children First Council
Guernsey County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2008 and 2007

Finding 2008-1 - Material Weakness - Misstatements Within the Financial Statements

The auditors identified misstatements that should have been prevented or detected by the Council's internal controls over financing reporting. The accompanying financial statements have been adjusted to properly reflect the following:

- Beginning cash balances.
- Intergovernmental cash receipts.
- Cash disbursements.

The aforementioned errors were the result of a failure in controls over financial reporting and resulted in misstated financial statements. The Council should implement application and monitoring controls to ensure that the financial statements are accurately and completely stated.

Client Response:

This noted misstatement resulted from a fund account that was reported in an incorrect fund category on the year-end financial report. The correction of this action led to the needed restatement/adjustment of the following, beginning cash balances, intergovernmental cash receipts, and cash disbursements. There will be a control device implemented between the Director's office and the current Administrative Agent to guard against this oversight/misstatement in the future.



Mary Taylor, CPA
Auditor of State

FAMILY AND CHILDREN FIRST COUNCIL
GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 6, 2009