



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

REGULAR AUDIT

FOR THE YEARS ENDING DECEMBER 31, 2009 AND 2010



Dave Yost • Auditor of State

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

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Dave Yost • 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 adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 23, 2011

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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 Henry Family and Children First Council, Henry County, (the Council) as of and for the years ended December 31, 2010 and 2009. 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 require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, 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 May 23, 2011, 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.



Dave Yost
Auditor of State

May 23, 2011

**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, 2010**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$17,069	\$191,692	\$208,761
Miscellaneous		1,009	1,009
Total Cash Receipts	<u>17,069</u>	<u>192,701</u>	<u>209,770</u>
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	7,193	114,218	121,411
Supplies	19	5,606	5,625
Contracts - Services	719	26,323	27,042
Travel	166	7,371	7,537
Advertising and printing	183	1,534	1,717
Public employee's retirement	964	16,055	17,019
Medicare tax	105	1,656	1,761
Worker's compensation	141	1,771	1,912
Other	595	2,130	2,725
Total Cash Disbursements	<u>10,085</u>	<u>176,664</u>	<u>186,749</u>
Total Cash Receipts Over Cash Disbursements	6,984	16,037	23,021
Fund Cash Balances, January 1	<u>14,527</u>	<u>56,197</u>	<u>70,724</u>
Fund Cash Balances, December 31	<u><u>\$21,511</u></u>	<u><u>\$72,234</u></u>	<u><u>\$93,745</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, 2009**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$16,257	\$220,604	\$236,861
Miscellaneous		350	350
	<u>16,257</u>	<u>220,954</u>	<u>237,211</u>
Total Cash Receipts			
	<u>16,257</u>	<u>220,954</u>	<u>237,211</u>
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	9,517	119,573	129,090
Supplies	28	12,100	12,128
Insurance		4,482	4,482
Equipment		4,284	4,284
Contracts - Services	4,115	48,420	52,535
Travel	608	10,689	11,297
Advertising and printing		2,021	2,021
Public employee's retirement	1,482	16,880	18,362
Medicare tax	138	1,726	1,864
Worker's compensation	209	2,226	2,435
Other	678	9,887	10,565
	<u>16,775</u>	<u>232,288</u>	<u>249,063</u>
Total Cash Disbursements			
	<u>16,775</u>	<u>232,288</u>	<u>249,063</u>
Total Cash Disbursements Over Cash Receipts	<u>(518)</u>	<u>(11,334)</u>	<u>(11,852)</u>
Fund Cash Balances, January 1	<u>15,045</u>	<u>67,531</u>	<u>82,576</u>
Fund Cash Balances, December 31	<u>\$14,527</u>	<u>\$56,197</u>	<u>\$70,724</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, 2010 AND 2009**

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 Council 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 Council 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 Councils with territory in the county, as designated at a biennial meeting of the superintendents of those Councils;
- 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, 2010 AND 2009
(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, 2010 AND 2009
(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 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, 2010, was \$93,745 and at December 31, 2009, was \$70,724. 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, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,000	\$17,069	(\$25,931)
Special Revenue	301,400	192,701	(108,699)
Total	\$344,400	\$209,770	(\$134,630)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$30,000	\$10,085	\$19,915
Special Revenue	276,400	176,664	99,736
Total	\$306,400	\$186,749	\$119,651

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,000	\$16,257	(\$8,743)
Special Revenue	272,700	220,954	(51,746)
Total	\$297,700	\$237,211	(\$60,489)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,000	\$16,775	\$8,225
Special Revenue	272,700	232,288	40,412
Total	\$297,700	\$249,063	\$48,637

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Council contributed an amount equaling 14% respectively, of participants' gross salaries. The Council has paid all contributions required through December 31, 2010.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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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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 the Council:

We have audited the financial statements of Henry Family and Children First Council, Henry County (the Council) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 23, 2011 wherein we noted the Council followed accounting practices the Auditor of State prescribes 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

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 a certain matter not requiring inclusion in this report that we reported to the Council's management in a separate letter dated May 23, 2011.

We intend this report solely for the information and use of management, Members of the Council, the Steering Committee, and others within the Council. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

May 23, 2011

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

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:

- Three transactions in the total amount of \$13,786 were incorrectly classified as other expenditures instead of contract services in the Special Revenue Fund in 2009.
- Two transactions in the total amount of \$4,115 were incorrectly classified as other expenditures instead of contract services in the General Fund in 2009.

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 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.

Officials' Response:

We did not receive a response from Officials to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Monitoring of Financial Transactions	No	Not Corrected. Repeated in this report as Finding 2010-001.



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HENRY 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
JUNE 14, 2011**