

***FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 & 2009

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



Dave Yost • Auditor of State

Family and Children First Council
200 Midway Street
London, Ohio 43140

We have reviewed the *Report of Independent Accountants* of the Family and Children First Council, Madison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Family and Children First Council is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 30, 2011

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**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2010 & 2009**

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REPORT OF INDEPENDENT ACCOUNTANTS

Family and Children First Council
Madison County
200 Midway Street
London, Ohio 43140

To Members of the Council:

We have audited the accompanying financial statements of the Family and Children First Council, Madison County, Ohio (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 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.

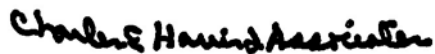
Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since the Council does not use GAAP to measure financial statement amounts, 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 matters 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 the Family and Children First Council, Madison County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the years ended December 31, 2010 and 2009. 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 12, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Charles E. Harris & Associates, Inc.

July 12, 2011

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2010**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Intergovernmental	\$ 54,823	\$ 238,791	\$ 293,614
Local Contributions	125,798	-	125,798
Total Receipts	<u>180,621</u>	<u>238,791</u>	<u>419,412</u>
Disbursements:			
Contractual Services	<u>185,219</u>	<u>262,031</u>	<u>447,250</u>
Total Disbursements	<u>185,219</u>	<u>262,031</u>	<u>447,250</u>
Total Receipts Over/(Under) Disbursements	(4,598)	(23,240)	(27,838)
Fund Cash Balance, January 1, 2010	<u>10,466</u>	<u>23,240</u>	<u>33,706</u>
Fund Cash Balance, December 31, 2010	<u><u>\$ 5,868</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,868</u></u>

See accompanying Notes to the Financial Statements.

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2009**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Intergovernmental	\$ 72,385	\$ 295,738	\$ 368,123
Local Contributions	174,754	-	174,754
Total Receipts	247,139	295,738	542,877
Disbursements:			
Contractual Services	246,947	272,498	519,445
Total Disbursements	246,947	272,498	519,445
Total Receipts Over/(Under) Disbursements	192	23,240	23,432
Fund Cash Balance, January 1, 2009-Restated	10,274	-	10,274
Fund Cash Balance, December 31, 2009	\$ 10,466	\$ 23,240	\$ 33,706

See accompanying Notes to the Financial Statements.

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

- a. At least three individuals whose families are or have received services from an agency represented on the Council or another County's Council. Where possible, the number of members representing families shall be equal to twenty percent of the Council's membership;
- b. The Director of Board of Alcohol, Drug Addiction, and Mental Health Services that serves the County, or, in the case of a county that has a Board of Alcohol and Drug Addiction Services and a Community Mental Health Board, the Directors of both Boards. If a Board of Alcohol, Drug Addiction, and Mental Health Services covers more than one county, the Director may designate a person to participate on the County's Council;
- c. 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 two or more health districts, the Health Commissioner membership may be limited to the Commissioners of the two districts with the largest populations;
- d. The Director of the County Department of Job and Family Services;
- e. The Executive Director of the county agency responsible for the administration of children services pursuant to Section 5153.15 of the Revised Code;
- f. The Superintendent of the County Board of Mental Retardation and Developmental Disabilities;
- g. 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;

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. DESCRIPTION OF THE ENTITY – (Continued)

- h. The Superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the County, as determined by the Department of Education, which shall notify each Board of County Commissioners of its determination at least biennially;
- i. 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;
- j. A representative of the municipal corporation with the largest population in the County;
- k. The President of the Board of County Commissioners, or an individual designated by the Board;
- l. A representative of the regional office of the Department of Youth Services;
- m. A representative of the County’s Head Start agencies, as defined in Section 3301.31 of the Revised Code;
- n. A representative of the County’s early intervention collaborative established pursuant to the federal early intervention program operated under the “Individuals with Disabilities Education Act of 2004”; and
- o. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

County Council shall provide for the following:

- a. Referrals to the Cabinet Council of those children for whom the Council cannot provide adequate services.
- b. Development and implementation of 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;

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. DESCRIPTION OF THE ENTITY – (Continued)

- c. Participation 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 “Individuals with Disabilities Education Act of 2004”;
- d. Maintenance of an accountability system to monitor the County Council’s progress in achieving results for families and children; and
- e. Establishment of a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

B. BASIS OF ACCOUNTING

The Council prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. FUND ACCOUNTING

The Council maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds.

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. FUND ACCOUNTING – (Continued)

The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Council. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Help Me Grow Fund- This fund receives grant monies to enhance the local child and family serving system, according to the terms of the Temporary Assistance for Needy Families Agreement. It provides families with services and support such as prenatal visits, newborn visits, and ongoing home visits.

D. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquisitions are recorded as expenses when paid, rather than being capitalized.

E. ADMINISTRATIVE AGENT

The Madison County Board of County Commissioners is the designated administrative agent for the Council. The Madison County Auditor is the designated fiscal agent for the Council. The Council's funds are maintained by the County in separate agency funds.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Council's cash and investments are maintained by the Madison County Commissioners. The Ohio Revised Code prescribes allowable deposits and investments and the County is responsible for compliance. The carrying amount of cash at December 31 was as follows:

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

	<u>2010</u>	<u>2009</u>
Demand Deposits	<u>\$5,868</u>	<u>\$33,706</u>

All risks associated with such deposits are the responsibility of Madison County.

3. RISK MANAGEMENT

The Council is insured through the Madison County Commissioners for the following risks:

- Comprehensive property and general liability
- Valuable papers and records
- Errors and omissions

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

4. PRIOR PERIOD ADJUSTMENT

Due to an accounting error, the December 31, 2008 cash balances were incorrectly stated. The cash balances at January 1, 2009 were adjusted to correct the error. A summary of the cash balances as previously reported compared to the actual cash balances is as follows:

	Special Revenue
Previously Reported	\$ <u>106,543</u>
Restated	\$ <u>-0-</u>

5. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Family and Children First Council
Madison County
200 Midway Street
London, Ohio 43140

To Members of the Council:

We have audited the financial statements of the Family and Children First Council, Madison County (the Council), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 12, 2011. 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 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 audit findings we identified a deficiency in internal control over financial reporting that we consider a material weakness.

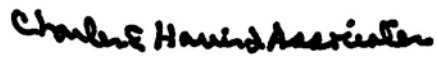
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal 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-MADFC-01 as described in the accompanying Schedule of Audit Findings to be a material weakness.

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, grant 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Audit Findings as item 2010-MADFC-01.

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

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

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

Charles E. Harris and Associates, Inc.

July 12, 2011

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Years Ended 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-MADFC-01 Material Weakness and Noncompliance Citation

Accounting Error

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Contrary to this requirement the cash balances at December 31, 2008 were overstated in the amount of \$106,543 due to an accounting error in which non Council receipts, expenditures and cash balances were included in the activity of the Council.

The error occurred because:

- The Council records all general fund and special revenue fund receipts and expenditures in the same fund/account. Therefore, general fund receipts and expenditures are not readily identifiable versus special revenue fund receipts and expenditures.
- The activities of the Council are sometimes indistinguishable from the activities of the Department of Family and Children.
- When the funds are transferred to the Department of Family and Children which implements and operates the various programs, the expenditures and receipts are identified and segregated by program (HMG, FAST, etc) but include other funding sources and expenditures.

We have proposed adjustments to the cash balances with which management has concurred and the accompanying financial statements have been adjusted accordingly.

We recommend that the Council implement procedures to record general fund receipts/expenditures in separate accounts from special revenue receipts/expenditures.

Management's Response:

We did not receive a management response.

**FAMILY AND CHILDREN FIRST COUNCIL
MADISON COUNTY
For the Years Ending December 31, 2010 and 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2008 and 2007, reported no material citations or recommendations.



Dave Yost • Auditor of State

MADISON COUNTY FAMILY AND CHILDREN FIRST COUNCIL

MADISON 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
SEPTEMBER 13, 2011**