

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

MONTGOMERY COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2011

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



Dave Yost • Auditor of State

Members of the Board
Montgomery County Family and Children First Council
451 W. Third Street,
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, 2011 through December 31, 2011. 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.

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

Dave Yost
Auditor of State

August 8, 2012

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MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
AUDIT REPORT

For the year ended December 31, 2011

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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

REPORT OF INDEPENDENT ACCOUNTANTS

Montgomery County Family and Children First Council
451 West Third Street, 9th 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, 2011, which collectively comprise the Council's basic financial statements as listed in the table of contents. 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 *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, 2011, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and each major special revenue fund thereof for the year then ended in conformity with accounting basis Note 2 describes.

As described in Note 3, during 2011 the Montgomery County Family and Children First Council adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2012 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Charles E. Harris Associates

Charles E. Harris & Associates, Inc.

May 25, 2012

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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, 2011, 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 2011 are as follows:

- Total net assets decreased \$77,690 during fiscal year 2011, which represents a 2.9% decrease from fiscal year 2010.
- 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 \$715,000 came from the Human Services Levy for general fund operations.
 - The FCFC provided \$15,750 in support of general fund operations.
 - The ODH provided \$1,275,284 in state general revenue funds, \$42,887 in federal part C funds, \$181,874 in part C stimulus funds for the Help Me Grow program, and \$306,118 in HMG Home Visiting funds.

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.

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.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

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 2011, 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 revenue and disbursement activity during 2011.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

Table 1 provides a summary of the Council's net assets for 2011 compared to 2010 on a cash basis:

**TABLE 1
NET ASSETS**

	2011	2010
<u>ASSETS:</u>		
Cash and Cash Equivalents	<u>\$2,605,925</u>	<u>\$2,683,615</u>
Total Assets	<u>\$2,605,925</u>	<u>\$ 2,683,615</u>
<u>NET ASSETS:</u>		
Restricted	\$ 377,053	\$ 778,392
Unrestricted	<u>2,228,872</u>	<u>1,905,223</u>
Total Net Assets	<u>\$2,605,925</u>	<u>\$2,683,615</u>

As mentioned previously, net assets decreased \$77,690 or 2.9% during 2011.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net assets during 2011:

**TABLE 2
CHANGE IN NET ASSETS**

	<u>2011</u>	<u>2010</u>
PROGRAM RECEIPTS:		
Operating Grants	\$ 2,006,163	\$ 2,603,496
GENERAL RECEIPTS:		
Human Services Levy	715,000	725,000
Intergovernmental	15,750	17,069
Miscellaneous	126,120	21,303
Total Receipts	2,863,033	3,366,868
DISBURSEMENTS:		
General Government	533,221	586,419
Social Services	2,407,502	1,889,137
Total Disbursements	2,940,723	2,475,556
Excess Receipts Over (Under) Disbursements	(77,690)	891,312
Net Assets, Beginning of Year	2,683,615	1,792,303
Net Assets End of Year	<u>\$2,605,925</u>	<u>\$2,683,615</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 programs through contractors in the community.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

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.

Capital Assets and Debt Administration

The Council has no capital assets or debt.

Budgetary Highlights

The Council made limited 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 insignificant changes in the fund balance. During 2011, the Council spent about 81% of the amount appropriated in the General Fund. The Council's 2011 financial statements include budgetary statements for the General Fund and the Help Me Grow (HMG) 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, 9th Floor, Dayton, Ohio 45422.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
STATEMENT OF NET ASSETS
December 31, 2011

	Governmental <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 2,605,925
Total Assets	<u>\$ 2,605,925</u>
Net Assets	
Restricted	\$ 377,053
Unrestricted	2,228,872
Total Net Assets	<u>\$ 2,605,925</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
STATEMENT OF ACTIVITIES
For the year ended December 31, 2011

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$ 533,221	\$ -	\$ (533,221)
Social Services	2,407,502	2,006,163	(401,339)
Total Government Activities	\$ 2,940,723	\$ 2,006,163	(934,560)
General Revenues:			
Human Services Levy			715,000
Intergovernmental not Restricted			15,750
Miscellaneous			126,120
Total General Receipts			856,870
Change in Net Assets			(77,690)
Net Assets - Beginning of Year			2,683,615
Net Assets - End of Year			\$ 2,605,925

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
December 31, 2011

	General	Help Me Grow (HMG)	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 2,228,872	\$ 377,053	\$ 2,605,925
Total Assets	\$ 2,228,872	\$ 377,053	\$ 2,605,925
Fund Balances			
Fund Balances:			
Restricted	\$ -	\$ 377,053	\$ 377,053
Unassigned	2,228,872	-	2,228,872
Total Fund Balances	\$ 2,228,872	\$ 377,053	\$ 2,605,925

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
For the year ended December 31, 2011

	General	Help Me Grow (HMG)	Total Governmental Funds
Receipts			
Intergovernmental	\$ 15,750	\$ 2,006,163	\$ 2,021,913
Human Services Levy	715,000	-	715,000
Miscellaneous	126,120	-	126,120
Total Receipts	856,870	2,006,163	2,863,033
Disbursements			
Personnel Related	358,818	-	358,818
Intergovernmental Disbursements	35,296	-	35,296
Contractual Services	-	2,407,502	2,407,502
Supplies and Materials	6,564	-	6,564
Professional Services	73,764	-	73,764
Rent, Advertising and Operating	57,443	-	57,443
Capital	1,336	-	1,336
Total Disbursements	533,221	2,407,502	2,940,723
 Change in Fund Balances	 323,649	 (401,339)	 (77,690)
 Net Assets Beginning of Year	 1,905,223	 778,392	 2,683,615
 Net Assets End of Year	 <u>\$ 2,228,872</u>	 <u>\$ 377,053</u>	 <u>\$ 2,605,925</u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
CASH BASIS FUND BALANCES-BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
For the year ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Human Services Levy	\$ 715,000	\$ 715,000	\$ 715,000	\$ -
Intergovernmental	17,069	17,069	15,750	(1,319)
Miscellaneous	-	7,443	126,120	118,677
Total Receipts	<u>732,069</u>	<u>739,512</u>	<u>856,870</u>	<u>117,358</u>
Disbursements				
Personnel Related	504,598	502,598	358,818	143,780
Supplies and Materials	15,100	15,800	6,564	9,236
Professional Services	120,675	104,293	73,764	30,529
Rent, Advertising and Operating	67,000	67,152	57,443	9,709
Intergovernmental	17,069	35,299	35,296	3
Capital	2,200	9,950	1,336	8,614
Total Disbursements	<u>726,642</u>	<u>735,092</u>	<u>533,221</u>	<u>201,871</u>
Receipts Over Disbursements	5,427	4,420	323,649	319,229
Fund Balance Beginning of Year	1,905,223	1,905,223	1,905,223	-
Fund Balance End Of Year	<u><u>\$ 1,910,650</u></u>	<u><u>\$ 1,909,643</u></u>	<u><u>\$ 2,228,872</u></u>	<u><u>\$ 319,229</u></u>

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
CASH BASIS FUND BALANCES-BUDGET AND ACTUAL - BUDGET BASIS
HELP ME GROW
For the year ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Receipts				
Intergovernmental	\$ 1,487,304	\$ 2,233,730	\$ 2,006,163	\$ (227,567)
Total Receipts	<u>1,487,304</u>	<u>2,233,730</u>	<u>2,006,163</u>	<u>(227,567)</u>
Disbursements				
Contractual Services	1,487,304	2,233,730	3,526,183	(1,292,453)
Total Disbursements	<u>1,487,304</u>	<u>2,233,730</u>	<u>3,526,183</u>	<u>(1,292,453)</u>
Receipts (Under) Disbursements	-	-	(1,520,020)	(1,520,020)
Fund Balance Beginning Of Year	(902,196)	(902,196)	(902,196)	-
Prior Year Encumbrances Appropriated	<u>1,680,589</u>	<u>1,680,589</u>	<u>1,680,589</u>	-
Fund Balance End of Year	<u>\$ 778,393</u>	<u>\$ 778,393</u>	<u>\$ (741,627)</u>	<u>\$ (1,520,020)</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, 2011**

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, 2011
(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 Executive 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 receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the Council, with certain limited exceptions. The comparison of direct expenses with program receipts identifies the extent to which each governmental program is self-financing or draws from the general receipts of the Council.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (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 level. 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 grant monies.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (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 in 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, 2011
(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.

H. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balances (Continued)

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Trustees, which includes giving the Management Analyst the authority to constrain monies for intended purposes.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

3. CHANGE IN ACCOUNTING PRINCIPLE

A. Changes in Accounting Principles

For fiscal year 2011, the Council has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of certain funds or the restatement of the Council's financial statements.

4. 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 \$2,605,925. 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.

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, \$500,000 for each workers' compensation claim, \$500,000 for each general liability claim and \$100,000 for each property damage claim. For health care, workers' compensation 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 converted from State coverage to being self-insured effective July 1, 2010. Premiums for January 1, 2010 thru June 30, 2010 were paid to the Ohio Bureau of Workers' Compensation. The County is liable for all workers' compensation claims filed after July 1, 2010. Open cases filed prior to July 1, 2010 remain with the Ohio Bureau of Workers' Compensation for ten years.

The County purchases commercial insurance for non-self-funded employee healthcare benefits programs. For all of the County's insurance programs, settled claims have not exceeded commercial coverage in any of the past three years. There were no significant reductions in coverage from prior years.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

6. PENSION PLAN

(a) Plan Description

The Authority contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost sharing, multiple-employer retirement system. OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. 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 the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, 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.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

(b) Funding Policy

Plan members are required to contribute a percentage of their annual covered salary (10% in 2011, 2010 and 2009), and the Council is required to contribute an actuarially determined rate. The employer contribution rates were 14% for 2011, 2010 and 2009, 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, 2011, 2010 and 2009 were \$36,522, \$39,494 and \$30,247, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

7. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

(a) Plan Description

Ohio Public Employees Retirement System (OPERS) administers 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; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

(b) Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

MONTGOMERY COUNTY FAMILY AND CHILDREN FIRST COUNCIL
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

7. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% from January 1 through December 31, 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% from January 1 through December 31, 2011. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Council's contributions for post-employment benefits were \$10,434, \$15,521 and \$12,393 for the years ended December 31, 2011, 2010 and 2009, respectively.

(c) OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

8. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds are presented below:

Fund Balances	General Fund	Help Me Grow Fund	Total
Committed for:			
Help Me Grow	\$ -	<u>\$377,053</u>	<u>\$ 377,053</u>
Total Committed	-	<u>377,053</u>	<u>377,053</u>
Unassigned	<u>2,228,872</u>	-	<u>2,228,872</u>
Total Fund Balances	<u>\$ 2,228,872</u>	<u>\$ 377,053</u>	<u>\$ 2,605,925</u>

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

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

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

To the Council:

We have audited the 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, 2011, and have issued our report thereon dated May 25, 2012, 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. As described in Note 3, the Council adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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.

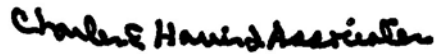
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Charles E. Harris & Associates, Inc.
May 25, 2012

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2010, reported no material citations or recommendations.



Dave Yost • Auditor of State

MONTGOMERY COUNTY 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 21, 2012**