



**Auditor of State  
Betty Montgomery**



**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Family and Children First Council  
Sandusky County  
2511 Countryside Drive  
Fremont, Ohio 43420-9016

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Family and Children First Council, Sandusky County, Ohio (the Council), as of and for the year ended December 31, 2004, 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 opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Family and Children First Council, Sandusky County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 30, 2005

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

The discussion and analysis of Family and Children First Council's (the Council) financial performance provides an over all review of the Council's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

1. Received Ohio Department of Youth Services Title II grant, "Systems Improvement with Partnership for Success (PFS) Grant" for time period of July 1, 2004 through June 30, 2005. \$70,000 of the grant is used to pay for training and consultation services with the Ohio State University PFS Academy for Erie, Ottawa, and Sandusky Counties.
2. Ohio Department of Alcohol and Drug Addiction Services, State Incentive Grant began on July 1, 2003. The Council is a subgrantee under the Mental Health and Recovery Service Board. This is a three-year grant. The Council participated in the first year of the grant to assist with planning. The Council received a total of \$26,355 and will not be receiving any further funds from this grant.
3. The Wraparound Coordinator was changed from an independent contractor to a part-time position under Council effective June 7, 2004. This position is funded through the local support of member contributions.
4. The Wellness Grant, Temporary Assistance for Needy Families (TANF) funds via the Sandusky County Department of Job and Family Services was cut from \$100,292 to \$40,000 beginning July 1, 2004 due to decreased funding available.
5. Help Me Grow revenues including General Revenue Fund, Part C, and TANF funds was \$249,226 in 2003 and \$263,047 in 2004.

**Using the Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Council, presenting both an aggregate view of the Council's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Council's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Council, there are three major governmental funds. The general fund is the largest major fund.

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

**Reporting the Council as a Whole**

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2004?" These statements include all assets, revenues, and expenses using the cash basis of accounting. The cash basis of accounting, takes into account when cash is received or paid.

These two statements report the Council's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Council as a whole, the financial position of the Council has improved or diminished. The cause of the changes may be the result of many financial factors.

In the Statement of Statement of Net Assets and the Statement of Activities, the Council is one distinct kind of activity:

Governmental Activities - All of the Council's programs and services are reported here including human services, health, and general government. These services are funded primarily by intergovernmental revenue including federal and state grants and other shared revenues.

**Reporting the Council's Most Significant Funds**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that has been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council are categorized as governmental funds.

Fund financial reports provide detailed information about the Council's major funds. The Council uses several funds to account for many financial transactions. However these fund financial statements focus on the Council's most significant funds. The Council's major government funds are the General Fund, Help Me Grow, and Wellness Block Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable sources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions.

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

The Council maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets provides the perspective of the Council as a whole. Recall that the Statement of Net Assets provides the perspective of the Council as a whole. This is the first year for government-wide financial statements using the cash basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the Council's net assets for 2004.

	<b>Governmental Activities 2004</b>
<b>Assets</b>	
Current and other assets	\$239,250
Total assets	\$239,250
 <b>Net Assets</b>	
Restricted	\$81,289
Unrestricted	157,961
Total net assets	\$239,250

Over time, net assets can serve as a useful indicator of a government's financial position. The Council's finances remained strong during 2004 despite the decline in the economy.

	<b>Change in Net Assets Governmental Activities 2004</b>
<b>Revenues</b>	
Program revenue:	
Intergovernmental	\$378,666
General revenue:	
Local Agency Contributions	169,028
Total revenue	547,694

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

<b>Expenses</b>	
Legislative & Executive	86,373
Health	346,896
Human Services	47,500
Other	30,489
Total expenses	<u>511,258</u>
Change in net assets	36,436
Net assets at beginning of year	<u>202,814</u>
Net assets at end of year	<u><u>\$239,250</u></u>

**Governmental Activities**

Net assets of the Council's governmental activities increased \$36,436. Total governmental expenditures of \$511,258 were offset by program revenues of \$378,666 and local agency contributions of \$169,028. Program revenues supported 74% of the total governmental expenses.

The primary source of revenue for governmental activities is derived from intergovernmental receipts. These revenue sources represent 69% of total governmental revenue.

The largest expense of the Council is for health services. Health services expenses totaled \$346,896 or 68% of total governmental expenses for fiscal year 2004.

The Statement of Activities shows the cost of program services and operating grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by contributions and unrestricted State grants and entitlements. Comparisons for 2003 have not been presented since they are not available.

	<b>Governmental Activities</b>	
	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Program expenses:		
General Government	\$ 86,373	\$ 86,373
Health	346,896	3,230
Human Services	47,500	12,500
Other	30,489	30,489
Total expenses	<u>\$511,258</u>	<u>\$132,592</u>

The dependence upon agencies contributions revenue for government activities is apparent, 100% of general government services are supported by contributions. For all governmental activities, contributions support is 26%.

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

**The Council's Funds**

The Council's governmental funds reported a combined fund balance of \$239,250, which is \$36,436 greater than last years' total of \$202,814. The change between years is due to fluctuations in grant funding. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004 and 2003.

	<b>Fund Balance December 31, 2004</b>	<b>Fund Balance December 31, 2003</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
General	\$148,296	\$101,032	\$47,264	46.78 %
Wellness Block Grant	3,213	4,715	(1,502)	(31.86)%
Help Me Grow	60,576	53,629	6,947	12.95%
Other Governmental	27,165	43,438	(16,273)	(37.46)%
<b>Total</b>	<b>\$239,250</b>	<b>\$202,814</b>	<b>\$36,436</b>	<b>17.97 %</b>

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**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31,2004

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$239,250
Total Assets	<u>\$239,250</u>
<b>Net Assets:</b>	
Restricted for:	
Other Purposes	\$81,289
Unrestricted	<u>157,961</u>
Total Net Assets	<u>\$239,250</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
General government:	\$ 86,373		\$ (86,373)
Health	346,896	343,666	(3,230)
Human services	47,500	35,000	(12,500)
Other	30,489		(30,489)
Total Governmental Activities	<u>\$ 511,258</u>	<u>\$ 378,666</u>	(132,592)
<b>General Receipts:</b>			
Contributions for Program Administration			108,278
Memberships			60,750
Total General Receipts			<u>169,028</u>
Change in Net Assets			36,436
<b>Net Assets Beginning of Year</b>			<u>202,814</u>
<b>Net Assets End of Year</b>			<u>\$ 239,250</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Wellness Block</u>	<u>Help Me Grow</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	<u>\$148,296</u>	<u>\$3,213</u>	<u>\$60,576</u>	<u>\$27,165</u>	<u>\$239,250</u>
<b>Fund Balances:</b>					
Undesignated, Unreserved, Reported in:					
General Fund	148,296				148,296
Special Revenue Funds		3,213	60,576	27,165	90,954
Total Fund Balances	<u>\$148,296</u>	<u>\$3,213</u>	<u>\$60,576</u>	<u>\$27,165</u>	<u>\$239,250</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN MODIFIED - CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Wellness Block</u>	<u>Help Me Grow</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Intergovernmental	\$ 72,150	\$ 80,619	\$ 263,047		\$ 415,816
Other	60,750			71,128	131,878
<b>Total Receipts</b>	<u>132,900</u>	<u>80,619</u>	<u>263,047</u>	<u>71,128</u>	<u>547,694</u>
<b>Disbursements:</b>					
General government	71,026			15,347	86,373
Health	8,675	82,121	256,100		346,896
Human Services				47,500	47,500
Other	5,935			24,554	30,489
<b>Total Expenditures</b>	<u>85,636</u>	<u>82,121</u>	<u>256,100</u>	<u>87,401</u>	<u>511,258</u>
<b>Net Change in Fund Balances</b>	47,264	(1,502)	6,947	(16,273)	36,436
<b>Fund Balances Beginning of Year</b>	<u>101,032</u>	<u>4,715</u>	<u>53,629</u>	<u>43,438</u>	<u>202,814</u>
<b>Fund Balances End of Year</b>	<u>\$ 148,296</u>	<u>\$ 3,213</u>	<u>\$ 60,576</u>	<u>\$ 27,165</u>	<u>\$ 239,250</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**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 district in the county, or their designees.
- c. The director of the county department of human services.
- d. The executive director of the county agency responsible for the administration of children services pursuant to § 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 district 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 districts with territory in the county, as designated at a biennial meeting of the superintendents of those districts.
- 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 §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."

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(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 twenty per cent 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 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.

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

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**C. Fund Accounting**

The Council uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Council classifies each fund as governmental.

**Governmental:** The Council classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Council's major governmental funds:

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

Wellness Block Grant Fund - Revenue provided by the State agencies to be used for programs aimed at reducing Teen Pregnancy through education of middle school and high school students.

Help Me Grow Fund - Revenue provided by the State agencies to be used for programs aimed at identifying at risk children ages zero to three. It provides assessments and services for children at risk with participation delays.

The other governmental funds of the Council account for grants and other resources whose use is restricted to a particular purpose.

**D. Administrative/Fiscal Agent**

In fiscal year 2003, the Sandusky County Board of Commissioners served as administrative agent for the Council. Council funds are maintained in separate funds by the Sandusky County Board of Commissioners, as fiscal agent.

In fiscal year 2004, the Sandusky County Board of Mental Retardation and Developmental Disabilities served as administrative agent for the Council. Council funds are maintained in separate funds by the Sandusky County Board of Mental Retardation and Developmental Disabilities, as fiscal agent.

**E. Cash and Investments**

In accordance with Ohio Revised Code, the Council's cash is held and invested by the Sandusky County Treasurer, who acts as custodian for Council monies. The Council's assets are held in the County's Treasurer's cash and investment pool, and are valued at the Treasurer's reported carrying amount.

**F. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The Council approved budget must be filed with the administrative agent with copies given to the

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

County Commissioners and County Auditor. Audit of State Bulletin 98-007 requires Council to annually approve appropriation measures and subsequent amendments.

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include Wellness Block Grant, Help Me Grow Grant, and Communities that Care Grant.

The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**H. Capital Assets**

Acquisitions of capital assets are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**I. Compensated Absences**

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

**J. Long-term Obligations**

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**2. LEGAL COMPLIANCE**

The Family and Children First Council did not file an information return with the Internal Revenue Service on income paid to contractors in excess of six hundred dollars.

**3. BASIS OF PRESENTATION**

The Council's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

**Government-wide Financial Statement of Activities:** This statement displays information about the Council as a whole. The statement reports governmental activities separately from business-type activities.

The government-wide statement of activities compares disbursements with program receipts for each segment of the Council's business-type activities and for each function or program of the Council's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or

**FAMILY AND CHILDREN FIRST COUNCIL  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the Council's general receipts.

**Fund Financial Statements:** Fund financial statements report more detailed information about the Council. The focus of governmental and enterprise fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column.

**4. EQUITY IN POOLED CASH**

The Sandusky County Treasurer maintains a cash pool used by all of the agency's funds, including those of the 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, 2004 was \$239,250. The Sandusky County Treasurer, as fiscal agent for the Council, is responsible for maintaining adequate depository collateral for all funds in the County's pooled and deposit accounts.

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts, or in money market deposit accounts.

Protection of the Council's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the county treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Investment Pool (STAR Ohio)
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Council and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**5. 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.

**6. RETIREMENT SYSTEMS**

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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 the member and vested employer contributions plus any investment earnings. The combined

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Council picks up the employees 8.5 percent contribution amount. The Council's employer contribution rate for pension benefits for 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Council's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were, and \$9,292, \$7,703, and \$4,457 respectively; 100 percent has been contributed for 2004, 2003, and 2002. The Council and plan members did not make any contributions to the member-directed plan for 2004.

**7. POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$2,347. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to sky rocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefits recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**8. RISK MANAGEMENT**

**A. General Insurance**

The Council is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, the County Commissioners on behalf of County Departments including Council, contracted with County Risk Sharing Authority (CORSA) for liability insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

<u>Type of Coverage</u>	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Depositor's Forgery	1,000,000

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held with CORSA. There has been no significant reduction in coverage from prior year, and settled claims have not exceeded limits of coverage in the past three years.

**B. Health Insurance**

The County Commissioners provides comprehensive health and vision insurance coverage to the Council employee through a traditionally funded plan. The County Commissioners purchase commercial health insurance coverage through Community Health Plan of Ohio. The County pays 87 percent of the monthly premium while the employee pays 13 percent. The entire risk of loss transfers to the commercial insurance carrier.

**C. Insurance Purchasing Pool**

For 2004, the County Commissioners participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the County Commissioners pays an enrollment fee to the Plan to cover the costs of administering the program.

The County Commissioners may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

In prior years, the Council paid a portion of the premiums assessed to the County Commissioners for the State Workers' Compensation System using a retrospective rating plan. The Council continues to pay its portion of claims resulting from this plan.

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

The activity is accounted for in an internal service fund on the financial statements of Sandusky County. The claims activity for the past two fiscal periods is as follows:

Year Liability	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2003	\$ -	\$ 6,007	\$ 6,007	\$ -
2002	-	32,306	32,306	-



**Auditor of State  
Betty Montgomery**

**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  
Sandusky County  
2511 Countryside Drive  
Fremont, Ohio 43420-9016

To the Members of Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Family and Children First Council, Sandusky County, Ohio (the Council) as of and for the year ended December 31, 2004, which collectively comprise the Council's basic financial statements and have issued our report thereon dated June 30, 2005. 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 to determine our auditing procedures in order to express our opinion(s) on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Council's management dated June 30, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### Compliance

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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001.

We intend this report solely for the information and use of the audit committee, management, and the Family and Children First Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 30, 2005

**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

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

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

26 CFR 1.6041-1 requires every person engaged in a trade or business to file an information return with the Internal Revenue Service on income paid to persons of fixed or determinable income in excess of six hundred dollars. This information can be filed using a Form 1099. This ensures individuals report income and pay appropriate taxes. Forty-two percent of contractors had not been issued 1099 forms. We recommend the Council implement procedures to ensure this requirement is met each year.





**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

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**FAMILY AND CHILDREN FIRST COUNCIL  
SANDUSKY 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 9, 2005**