



**Auditor of State  
Betty Montgomery**



**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fund Types - For the Year Ended December 31, 2004.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fund Types - For the Year Ended December 31, 2003.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13

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**Auditor of State  
Betty Montgomery**

Family and Children First Council  
Erie County  
4405 Galloway Road  
Sandusky, Ohio 44870-6026

To the Members of the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 20, 2005

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Family and Children First Council  
Erie County  
4405 Galloway Road  
Sandusky, Ohio 44870-6026

To the Members of the Council:

We have audited the accompanying financial statements of the Family and Children First Council, Erie County, (the Council) as of and for the years ended December 31, 2004 and 2003. 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 audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since this Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Family and Children First Council, Erie County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the year ended December 31, 2004. The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



**Betty Montgomery**  
Auditor of State

December 20, 2005

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Intergovernmental Revenue	\$34,449	\$321,029	\$355,478
Local Agency Contributions	20,796		20,796
Charges for Service	<u>27,859</u>	<u>241,487</u>	<u>269,346</u>
 Total Cash Receipts	 <u>83,104</u>	 <u>562,516</u>	 <u>645,620</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	71,675	116,664	188,339
Travel	1,922	2,689	4,611
Conferences and Training	709	1,818	2,527
Advertising		224	224
Equipment	963	110	1,073
Office Supplies, Postage and Printing	652	1,104	1,756
Contract Services		3,196	3,196
Telephone Expenses	422	1,752	2,174
Audit Expense	407		407
Consumer and Agency Services	<u>13,209</u>	<u>516,632</u>	<u>529,841</u>
 Total Disbursements	 <u>89,959</u>	 <u>644,189</u>	 <u>734,148</u>
 Total Receipts Over/(Under) Disbursements	 <u>(6,855)</u>	 <u>(81,673)</u>	 <u>(88,528)</u>
 Fund Cash Balances, January 1	 <u>22,997</u>	 <u>164,397</u>	 <u>187,394</u>
 <b>Fund Cash Balances, December 31</b>	 <b><u>\$16,142</u></b>	 <b><u>\$82,724</u></b>	 <b><u>\$98,866</u></b>
 Reserves for Encumbrances, December 31	 <u>\$6,791</u>	 <u>\$16,332</u>	 <u>\$23,123</u>

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

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Intergovernmental Revenue	\$53,834	\$325,920	\$379,754
Local Agency Contributions	23,506		23,506
Charges for Service	21,514	314,171	335,685
Other Receipts		1,516	1,516
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	98,854	641,607	740,461
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	74,266	152,355	226,621
Travel	2,449	4,808	7,257
Conferences and Training	1,749	3,103	4,852
Advertising		190	190
Equipment	745	251	996
Office Supplies, Postage and Printing	1,087	2,097	3,184
Contract Services	50	3,326	3,376
Telephone Expenses	353	2,580	2,933
Audit Expense	6,579		6,579
Consumer and Agency Services	22,421	479,804	502,225
Miscellaneous		115	115
	<hr/>	<hr/>	<hr/>
Total Disbursements	109,699	648,629	758,328
Total Receipts Over/(Under) Disbursements	<u>(10,845)</u>	<u>(7,022)</u>	<u>(17,867)</u>
Fund Cash Balances, January 1	<u>33,842</u>	<u>171,419</u>	<u>205,261</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$22,997</u></b>	<b><u>\$164,397</u></b>	<b><u>\$187,394</u></b>
Reserves for Encumbrances, December 31	<u><u>          </u></u>	<u><u>\$83,351</u></u>	<u><u>\$83,351</u></u>

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

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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 section 5153.15 of the Revised Code;
- e. The superintendent of the county board of mental retardation and developmental disabilities;
- f. The county's juvenile court judge senior in service;
- g. The superintendent of the city, exempted village, or local school 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 section 3301.31 of the Revised Code;
- m. A representative of the county's early intervention collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986"; and
- 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.

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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; and
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

**B. Basis of Accounting**

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

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

**C. Cash**

As Ohio law requires, the Erie County Treasurer is custodian for the Council's cash. The County's cash and investment pool holds the Council's cash, valued at the County Treasurer's carrying amount.

**D. Fund Accounting**

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Funds:

Ohio Early Start Expansion - This grant comes from the Ohio Department of Human Services to be used to pay costs associated with the delivery of early intervention services to children with or at risk for mental retardation and developmental disabilities.

Early Intervention Grant - This grant comes from the Ohio Department of Human Services to provide a comprehensive, coordinated, interagency, multidisciplinary system of services for infants and toddlers with developmental delays and disabilities and their families.

**E. Fiscal Agent**

The Mental Health and Recovery Board of Erie and Ottawa Counties served as fiscal agent for the Council. Council funds are maintained in a separate agency fund by the Erie County Auditor.

**F. Budgetary Process**

The Ohio Revised Code and Audit of State Bulletin 98-007 require that each fund be budgeted annually. The Council prepares an annual operating budget including estimated receipts and disbursements and files it with the administrative agent. Unencumbered appropriations lapse at year end. Encumbrances outstanding at year end are carried over, and need not be reappropriated. A summary of 2004 and 2003 budgetary activity appears in Note 2.

**G. Property, Plant, and Equipment**

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,008	\$83,104	(\$7,904)
Special Revenue	554,329	562,516	8,187
Total	\$645,337	\$645,620	\$283

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,006	\$96,750	\$14,256
Special Revenue	669,186	660,521	8,665
Total	\$780,192	\$757,271	\$22,921

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$138,517	\$98,854	(\$39,663)
Special Revenue	687,776	641,607	(46,169)
Total	\$826,293	\$740,461	(\$85,832)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,814	\$109,699	\$39,115
Special Revenue	764,170	731,980	32,190
Total	\$912,984	\$841,679	\$71,305

**3. RETIREMENT SYSTEMS**

The Council's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Council contributed an amount equal to 13.55 percent of participants' gross salaries. The Council has paid all contributions required through December 31, 2004.

**FAMILY AND CHILDREN FIRST COUNCIL  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. RISK MANAGEMENT**

**Risk Pool Membership**

The Council is insured for general liability and casualty by Erie County. The Erie County Commissioners maintain comprehensive insurance coverage as a member of a pooled insurance agreement with the County Risk Sharing Authority (CORSA). The pool purchases excess insurance to supplement the pooled funds.

**Health and Dental**

Health and dental coverage are provided to the Council's employees through a commercial plan obtained by the Mental Health and Recovery Board of Erie and Ottawa Counties

**5. CONTINGENT LIABILITIES**

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

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**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  
Erie County  
4405 Galloway Road  
Sandusky, Ohio 44870-6026

To Members of the Council:

We have audited the financial statements of the Family and Children First Council, Erie County, (the Council) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 20, 2005, wherein we noted the Council follows accounting practices the Auditor of State permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures to express our opinion 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 December 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed

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Family and Children First Council  
Erie County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Council's management dated December 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the 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

December 20, 2005



**Auditor of State  
Betty Montgomery**

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**FAMILY AND CHILDREN FIRST COUNCIL**

**ERIE 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  
DECEMBER 30, 2005**