



**Auditor of State
Betty Montgomery**

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER COUNTY**

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**Auditor of State
Betty Montgomery**

Mercer County Agricultural Society
Mercer County
PO Box 301
Celina, OH 45822

To the Board of Directors:

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

January 27, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Family and Children First Council
Mercer County
117 W. Fayette Street
Celina, Ohio 45822

To the Family and Children First Council:

We have audited the accompanying financial statements of the Family and Children First Council, Mercer 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 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the 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.

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 of the Council 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 January 27, 2006, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

This report is intended solely for the information and use of the management, Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 27, 2006

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER 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 (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Intergovernmental Receipts | \$26,800 | \$80,168 | \$106,968 |
| Local Funding | | 11,315 | 11,315 |
| | | <u>91,483</u> | <u>118,283</u> |
| Total Cash Receipts | 26,800 | 91,483 | 118,283 |
| Cash Disbursements: | | | |
| Current: | | | |
| Personal Services | | 34,485 | 34,485 |
| Fringe Services | | 14,009 | 14,009 |
| Contract Services | 26,600 | 23,820 | 50,420 |
| Client Assistance | | 7,429 | 7,429 |
| Materials and Supplies | | 6,351 | 6,351 |
| | | <u>86,094</u> | <u>112,694</u> |
| Total Cash Disbursements | 26,600 | 86,094 | 112,694 |
| Total Receipts Over Disbursements | 200 | 5,389 | 5,589 |
| Advances In | | 400 | 400 |
| Cash Receipts and Other Financing Sources Over Cash Disbursements | 200 | 5,789 | 5,989 |
| Fund Cash Balances, January 1 | 10,385 | 1,490 | 11,875 |
| Fund Cash Balances, December 31 | <u>\$10,585</u> | <u>\$7,279</u> | <u>\$17,864</u> |

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

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER 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 (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Intergovernmental Receipts | \$31,500 | \$123,794 | \$155,294 |
| Local Funding | | 14,503 | 14,503 |
| | | <hr/> | <hr/> |
| Total Cash Receipts | 31,500 | 138,297 | 169,797 |
| Cash Disbursements: | | | |
| Current: | | | |
| Personal Services | | 31,141 | 31,141 |
| Fringe Benefits | | 14,721 | 14,721 |
| Contract Services | 22,800 | 87,745 | 110,545 |
| Audit Services | 2,821 | | 2,821 |
| Client Assistance | | 8,128 | 8,128 |
| Fiscal | 200 | 300 | 500 |
| Materials and Supplies | | 5,725 | 5,725 |
| | | <hr/> | <hr/> |
| Total Cash Disbursements | 25,821 | 147,760 | 173,581 |
| Total Receipts Over/(Under) Disbursements | 5,679 | (9,463) | (3,784) |
| Fund Cash Balances, January 1 (restated) | 4,706 | 10,953 | 15,659 |
| | | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$10,385</u> | <u>\$1,490</u> | <u>\$11,875</u> |

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

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Section 121.37, Revised Code, 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) At least three individuals whose families are or have received services from an agency which is represented on the council. If possible, twenty per cent of the council's membership should consist of members representing families.
- (b) The director of the community mental health board.
- (c) The director of the county ADAMH board. For counties served by a joint ADAMH board, the joint board's director must designate a member to participate on the county's council.
- (d) A representative from each city board of health and general health district in the county. If there are more than two health districts, then the membership is limited to the commissioners of the two districts with the largest populations.
- (e) The director of the county department of human services.
- (f) The executive director of the county children's services board.
- (g) The superintendent for the county board of MRDD.
- (h) The administrative or the judge senior in service or his designee for the county's juvenile court.
- (i) The superintendent of the city, exempted village, or local school district with the largest numbers of pupils residing in the county.
- (j) The school superintendent representing all other school districts within the territory in the county, as designated at a biennial meeting of the superintendents of those districts.
- (k) A representative of the municipal corporation with the largest population in the county.
- (l) The chair of the board of county commissioners or a designee.
- (m) A representative from the regional office of the Ohio Department of Youth Services.
- (n) A representative of the county's head start agencies.
- (o) A representative of the county's early intervention collaborative.
- (p) A representative of the local nonprofit entity that funds, advocates or provide services to children and families.

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.

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Council

During late 1994, the Mercer County Cluster voted to become a Family & Children First Council. The State Government was encouraging the establishments of such Councils throughout Ohio.

It had been proposed the Mercer County Coalition and Family and Children First Council merge. Three other groups were also interested in joining the merger; MECA's Coalition (the early child collaborative), the Juvenile Justice Task Force begun by judges and commissioners and Child and Family Health Services Consortium.

During January 1996, the Family and Children First Council, MECA, the Mercer County Coalition, the Justice Task Force and the Child and Family Health Services combined in an effort to improve utilization of available resources, strengthen service delivery, provide a broader based community response and reduce duplication of services. The new name for the coalition is: Community Organizations Linking Together (COLT). Colt's Mission is: "to promote the delivery of effective and efficient services to meet the needs of Mercer County residents through the organization of existing resources."

2. Mission/Advisory Council

COLT's Advisory Council is made up of the seventeen mandated members of the previous Family and Children First Council, three local mandated members and seven members selected by the committees of COLT from other community coalitions.

The Mission Advisory Council functions as the Mercer County Family and Children First Council, Child and Family Health Services consortium, Mercer Early Childhood Agency County Collaborative Group and the Justice Task Force.

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Mission Advisory Council serves as a clearing house of information and acts as a linkage resource for all COLT committees. Meetings of the general membership may be called by the Co-chairs of the Mission Advisory Council on a semi-annual basis.

Activity and decisions made by the Mission Advisory Council shall reflect the agendas developed by the committees.

The Mission Advisory Council facilitates a teamwork concept with the committees of COLT and acts as a overseer of committees to avoid duplication of effort.

Each member of the mission Advisory Council is also a member of at least one of the COLT committees.

Composition of the Mission Advisory Council shall be representative of the Mercer County community.

Election of officers occurs annually in January. Terms run for one year. Officers may serve in the same position for a maximum of three years. Officers include two Co-chairs of the Mission Advisory Council and a Secretary.

The Mission Advisory Council, through its officers and members set meeting dates at the beginning of each year. Additional meetings can be called as needed at the discretion of the Co-chairs.

Ad hoc committees are established on an as needed basis.

Each member of the Mission Advisory Council has one vote. The membership list and designee list is developed and maintained on an annual basis by the Mission Advisory Council. No official action can take place unless a quorum of members is in attendance. A quorum is considered to be at least ten members from the COLT membership list.

Adoption of the By-laws, and any amendments, shall be considered when the identified committees have formally approved the document, and when 2/3 of the Mission Advisory Council Members have voted to approve the document.

3. Committees

The primary working body of COLT is the seven standing committees.

Employment and Transportation: to assist in identifying employment opportunities and promote the availability of transportation services to Mercer County residents.

Emergency Response: to promote the awareness and development of crisis response mechanisms.

Education & Public Relations:to promote education and enhance publicity and community understanding of COLT, its mission and its efforts.

Health: to promote the general physical, emotional, psychological and behavioral health and welfare of the community through collaboration with area providers and agencies.

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Corrections: to develop a community corrections sanctions program through the collaborative efforts of existing area providers and agencies.

Family Services Planning: to receive community input and plan for welfare reform.

Family and Children First Advisory Committee: to be a liaison between COLT and the Family and Children First Council, to meet quarterly with the Family and Children First Director and review reports and financial data.

B. Fiscal Agent

The Mercer County Educational Service Center (ESC) Treasurer has been designated by the Council to serve as the fiscal agent as of May 8, 1997. Council funds are maintained in separate agency funds at the ESC.

C. Administrative Agent

As of July 1, 1997, the Mercer County Educational Service Center Superintendent has been designated by the Council to serve as the administrative agent.

D. 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.

E. Cash and Investments

The Council's cash is held and invested by the Mercer County Educational Service Center Treasurer, who is the custodians for the Council monies. The Council's assets are held in the cash and investment pools, and are valued at the fiscal agent Treasurer's reported carrying amount.

F. Fund Accounting

The Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions are reflected in a self-balancing group of accounts. The Council classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted. The Council had the following sources of funding:

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administration Grant: Funds are received from the Administration Grant for which the ESC is the fiscal agent and the revenue is recorded as the General fund of the Council.

Local Funding: local agencies contribute funds for the Council Coordinator's salary and for client related expenses.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Council maintains a separate special revenue fund for each program which is awarded to the Council that is either entirely or partially funded from state sources.

The Council had the following significant Special Revenue Funds:

Family Stability Incentive Grant: The Family Stability Incentive Grant is administered by the Ohio Department of Mental Health to provide funding for the establishment of defined goals and programs for reducing the number of children removed from their homes.

Help Me Grow Grant: The Help Me Grow Grant is administered by the Ohio Department of Health to provide services for expectant parents, newborns and their families, and toddlers at risk for or with developmental delays and disabilities and their families.

G. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. PRIOR PERIOD ADJUSTMENTS

During 2002 and previously, Help Me Grow – Part C dollars were reported on the financial statements of the administrative agent for the grant (Mercer Educational Service Center). For 2003 and thereafter (per correspondence between the office of the Auditor of State and the Ohio Department of Health), it was determined that these funds would be more meaningful if reported in the financial statements of the Family and Children First Councils. The reclassification had the following effect on the fund balances as they were previously reported as of June 30, 2002.

| | <u>Special Revenue Funds</u> |
|--------------------------------|------------------------------|
| Balance as previously recorded | \$ 6,717 |
| Restatement | 4,236 |
| Restated balance June 30, 2002 | <u>\$10,953</u> |

**FAMILY AND CHILDREN FIRST COUNCIL
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)**

3. GRANTS

The Council received financial assistance from state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Council at December 31, 2004 or 2003.

4. RISK MANAGEMENT

The Council is uninsured for the following risks:

- Errors and omissions.



**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
Mercer County
117 W. Fayette Street
Celina, Ohio 45822

To the Family and Children First Council:

We have audited the financial statements of the Family and Children First Council, Mercer County, (the Council), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 27, 2006. 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 on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Council's management dated January 27, 2006, we reported other matters involving internal control over financial reporting which 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Council's management dated January 27, 2006, we reported another matter related to noncompliance we deemed immaterial.

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

January 27, 2006

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Financial Statement Transactions and Postings

The Family and Children First Council (FCFC) received monies from the Help Me Grow grant (Part C dollars and pass through TANF and Subsidiary dollars) which were to be included in the financial statements of the FCFC (per understanding reached with the Ohio Department of Health) instead of the previous method of including these amounts in the financial statements of the Administrative Agent. For 2004 and 2003, these monies represented 53% and 45%, respectively, of the total revenues reported and 58% and 42%, respectively, of the total expenditures reported. These amounts were not originally included in the financials of the FCFC for 2004 and 2003. In addition, monies received from the FCFC Administrative grant were inappropriately posted to the Help Me Grow grant and the WrapAround Fund was combined into the General Fund during both 2004 and 2003 instead of being posted as a Special Revenue fund type as it was posted in the prior year.

The incomplete and inaccurate posting of transactions could lead to the presentation of financial statements which do not present the combined transactions in a consistent and complete manner. The accompanying financial statements reflect the above noted adjustments and the adjustments have been posted to the accounting records of the FCFC.

Entity personnel should exercise due professional care in posting and presenting financial details in order to present complete, consistent and accurate financial statements.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

FAMILY AND CHILDREN FIRST COUNCIL

MERCER 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
MARCH 21, 2006**