

**STARK COUNTY FAMILY
COUNCIL**

Audited Financial Statements

June 30, 2007



Mary Taylor, CPA

Auditor of State

Board Members
Stark County Family Council
800 Market Avenue N.
Canton, Ohio 44702

We have reviewed the *Independent Auditor's Report* of the Stark County Family Council, Stark County, prepared by Rea & Associates, Inc., for the audit period January 1, 2007 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark County Family Council is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 28, 2008

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STARK COUNTY FAMILY COUNCIL
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2007

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January 21, 2008

Board Members
Stark County Family Council
800 Market Ave. N.
Suite 1500
Canton, Ohio 44702

Independent Auditor's Report

We have audited the accompanying financial statements of the Stark County Family Council, Stark County, Ohio, (the "Council") as of and for the six month period ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

As described in Note 2, the Council has changed its fiscal year end from December 31 to June 30 resulting in the current reporting period being six months.

As described in Note 1, the Council prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to generally accepted accounting principles would require the Council to reformat its financial statement presentation and make other changes effective for the six month period ended June 30, 2007. Instead of the funds the accompanying financial statements present for 2007, the revisions require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2007. While the Council does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since the Council does not use generally accepted accounting principles 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 six month period ended June 30, 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as June 30, 2007, or its changes in financial position for the six month period 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 the Stark County Family Council, Stark County, as of June 30, 2007, and its combined cash receipts and disbursements for the six month period then ended in conformity with the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the six month period ended June 30, 2007. 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 also have issued our report dated January 21, 2008 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* and should be considered in assessing the results of our audit.

Hea & Associates, Inc.

STARK COUNTY FAMILY COUNCIL
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$ 60,000	\$ 1,334,934	\$ 1,394,934
Other	181	11,002	11,183
Total Cash Receipts	60,181	1,345,936	1,406,117
Cash Disbursements:			
Salaries and Benefits	49,714	330,171	379,885
Supplies and Materials	858	2,824	3,682
Purchased Services	3,889	879,075	882,964
Other	1,156	6,649	7,805
Total Cash Disbursements	55,617	1,218,719	1,274,336
Total Cash Receipts (Under) Cash Disbursements	4,564	127,217	131,781
Other Financing Receipts and (Disbursements):			
Transfers-In	0	244,548	244,548
Transfers-Out	(244,548)	0	(244,548)
Total Other Financing Receipts/(Disbursements:)	(244,548)	244,548	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(239,984)	371,765	131,781
Fund Cash Balances, January 1	251,519	(28,609)	222,910
Fund Cash Balances, June 30	\$ 11,535	\$ 343,156	\$ 354,691
Reserve for Encumbrances, June 30	\$ 6,852	\$ 1,022,190	\$ 1,029,042

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

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Ohio Rev. Code Section 121.37 created the Ohio Family and Children First Cabinet Council and permitted counties to establish County Family and Children First Councils. Statutory membership of a County Family and Children First 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 Ohio Rev. Code Section 5153.15;
- 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 or 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 Ohio Rev. Code Section 3301.31;
- 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

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

- n. At least three individuals representing the interest of families in the county. Where possible, the number of members representing families shall be equal to twenty percent of the council's remaining membership.

In addition, 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, inter-agency 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 board representation of families who are receiving services within the county system.

The Stark County Family Council (the "Council") was officially created on March 15, 1995 by proclamation of the Governor of the State of Ohio.

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

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Stark County Treasurer maintains a cash and investment pool used by all of the County's funds, including those of the Council. Deposits and investments are made in accordance with Ohio Revised Code.

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:

1. *General Fund*

The General Fund reports 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) that are restricted to expenditures for specific purposes. The Council had the following significant special revenue funds:

Early Intervention Part C – This fund receives federal grant money for the purpose of providing services to families with young children who have disabilities from birth to 3 years of age.

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Help Me Grow (Temporary Assistance for Needy Families) Grant Fund – This fund receives federal grant money for the purpose of providing services to families with young children at greater risk.

GRF Fund – This fund receives state grant money for the purpose of providing services to families with young children at greater risk.

E. Budgetary Process

Ohio Revised Code Section 121.37(B)(4) requires the Council to file an annual budget with its administrative agent (Stark County Community Mental Health Board), the county auditor, and the board of county commissioners. This budget includes estimated resources and appropriations.

1. *Appropriations*

As Stark County serves as the fiscal agent for the Council, the Council is required to adopt annual appropriations. The County maintains all of the Council's financial activity in one fund and annual appropriations are adopted on the object level for that fund.

2. *Estimated Resources*

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. *Encumbrances*

The Council reserves (encumbers) appropriations when commitments are made, in accordance with the procedures of its fiscal agent (Stark County). Encumbrances outstanding at year-end are carried over and are not re-appropriated.

A summary of 2007 budgetary activity appears in Note 4.

F. 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.

G. 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.

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2: CHANGE IN ACCOUNTING PERIOD

Council passed legislation in January 2007 changing its fiscal year to end on June 30. Therefore, Council is issuing financial statements for the period January 1, 2007 through June 30, 2007 in the initial year and from July through June in subsequent years. This decision was made to better align the Council's financial records with the State of Ohio and other granting agencies.

NOTE 3: EQUITY IN POOLED CASH AND INVESTMENTS

Stark County, the fiscal agent for the Council, maintains a cash and investment pool used by all funds, including the Council. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30, 2007 was as follows:

Deposits with County Treasurer \$ 354,691

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 4: BUDGETARY ACTIVITY

The Family Council's budget and actual information is maintained by the County in one fund which does not break down information by the Council's general and special revenue funds.

Budgetary activity for the six month period ended June 30, 2007 follows:

<u>2007 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Council	\$ 2,743,476	\$ 1,406,117	\$ (1,337,359)

<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Council	\$ 2,743,476	\$ 2,303,378	\$ (440,098)

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5: RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2007, members of OPERS contributed 9.5 percent of their gross salaries. The Council contributed an amount equaling 13.85 percent of participants' gross salaries. The Council has paid all contributions required through June 30, 2007.

NOTE 6: LEASE AGREEMENTS

The Council entered into a lease agreement for the use of Suite 1600 at 800 Market Avenue North, Canton, Ohio 44702, for the term February 1, 2007 through June 30, 2007 with monthly payments of \$1,527.

The Council entered into a lease agreement for the use of Suite 1610 at 800 Market Avenue North, Canton, Ohio 44702, for the term February 1, 2007 through June 30, 2007 with monthly payments of \$1,153.

The Council has entered into a lease agreement for the use of 288 square feet of storage space at 800 Market Avenue North, Canton, Ohio 44702, for the term February 1, 2007 through June 30, 2007 with monthly payments of \$77.

The Council entered into a lease agreement for the use of Suite 1500 at 800 Market Avenue North, Canton, Ohio 44702, for the term February 1, 2007 through June 30, 2007 with monthly payments of \$742.

All lease agreements have been extended to December 31, 2007 at the same monthly payments. Total rental expense for the premises was \$20,935 for fiscal year 2007.

NOTE 7: RISK MANAGEMENT

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- General liability – \$1,000,000 each occurrence, \$2,000,000 aggregate – Central Insurance Companies
- Umbrella liability - \$1,000,000 each occurrence, – Central Insurance Companies

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in this coverage from the prior year.

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7: RISK MANAGEMENT (Continued)

Risk Pool Membership

The Council is a member of the Stark County Schools Council of Government which is a shared risk pool for health insurance provided to its member employees.

The pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of June 30:

	<u>2007</u>	<u>2006</u>
Cash and investments	\$ 35,317,606	\$ 22,630,344
Actuarial liabilities	10,460,000	9,510,000

NOTE 8: CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor, principally the state and federal governments. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts, if any, grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



January 21, 2008

Board Members
Stark County Family Council
800 Market Ave. N.
Suite 1500
Canton, Ohio 44702

Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Stark County Family Council, Stark County, Ohio (the Council) as of and for the six month period ended June 30, 2007, and have issued our report thereon dated January 21, 2008, wherein we noted the Council follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and we noted the Council has changed its fiscal year to a June 30 year end, resulting in the current reporting period being six months. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential, will not be prevented or detected in the Council's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2007-001, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

Stark County Family Council
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
January 21, 2008
Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance and other matters that do not require inclusion in this report, that we have reported to the management of the Council in a separate letter dated January 21, 2008.

This report is intended for the information and use of the audit committee, management, the Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 21, 2008

Board Members

Stark County Family Council
800 Market Ave. N. Suite 1500
Canton, Ohio 44702

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the Stark County Family Council (the "Council") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the six month period ended June 30, 2007. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Stark County Family Council complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2007-003.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies. We also noted other matters involving internal control over federal program administration that we have reported to management of the Council in a separate letter dated January 21, 2008.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2007-002 and 2007-003 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Stark County Family Council's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Council's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the financial statements of the Stark County Family Council as of and for the six month period ended June 30, 2007, and have issued our report thereon dated January 21, 2008, wherein we noted the Council follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and we noted the Council has changed its fiscal year to a June 30 year end, resulting in the current reporting period being six months. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for 2007 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management, Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health</i>			
Temporary Assistance for Needy Families (TANF)	N/A	93.558	\$ 542,057
<i>Passed through the Alcohol and Drug Addiction Services Board of Stark County</i>			
Family and Systems Team Dollars (FAST\$)	N/A	93.556	76
<i>Passed through the Stark County Community Mental Health Board</i>			
Family and Systems Team Dollars (FAST\$)	44-CS-07-01 FY07	93.556	54,816
			<u>9,584</u>
			64,400
Total Family and Systems Team Dollars (FAST\$)			<u>64,476</u>
Total U.S. Department of Health and Human Services			<u>606,533</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Health</i>			
Special Education-Grants for Infants and Families with Disabilities - Early Intervention	76-1-002-1-EG	84.181	212,047
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Stark County Commissioners</i>			
Title V-Unruly Diversion and Prevention	2005-JV-T50-5104	16.548	<u>7,569</u>
Total Expenditures of Federal Awards			<u><u>\$ 826,149</u></u>

The accompanying notes are an integral part of this schedule.

**STARK COUNTY FAMILY COUNCIL
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the Council's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain federal programs require that the Council contribute funds (matching funds) to support the federally-funded programs. The Council has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

NOTE C – ACCOUNTING PERIOD

The Council has changed its fiscal year to July 1 through June 30 from January 1 through December 31. This report reflects activity from January 1, 2007 through June 30, 2007. This is the initial period for the fiscal year change.

NOTE D – TITLE V GRANT CORRECTION

The Schedule of Expenditures of Federal Awards incorrectly reported the expenditures for the Title V grant (US Department of Justice CFDA # 16.548) for the Unruly Diversion & Prevention program as of December 31, 2006. The grant is passed through the Stark County Commissioners with a subgrant number of 2005-JV-T50-5104. The amount reported was \$18,631 and should have been \$21,381.

STARK COUNTY FAMILY COUNCIL
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other internal control deficiencies reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	Yes
(d) (1) (vii)	Major Programs (list):	Temporary Assistance for Needy Families (TANF) CFDA # 93.558
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

Significant Deficiency

FINDING NUMBER	2007-001
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The Council does not have a process in place to combine the activity of the financial records maintained for the Help Me Grow program with the records maintained at the Stark County Community Mental Health Board (SCCMHB). This makes compiling the financial statements, notes and federal award information difficult and could lead to incomplete information for the entity as a whole.

We recommend the Council implement a procedure to have the activity of both segments of the Council compiled into one financial statement, including the notes and Schedule of Expenditures of Federal Awards. This process can be handled by a current employee of the Council or by an employee of the SCCMHB. If an employee with the necessary knowledge to compile the financial statement package is not available, consideration should be given to hiring an outside entity to prepare the statements.

STARK COUNTY FAMILY COUNCIL
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Significant Deficiencies

FINDING NUMBER	2007-002
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Federal Agency: Department of Health and Human Services
Pass-through Agency: Ohio Department of Job & Family Services
Federal Program: Temporary Assistance for Needy Families
CFDA # 93.558

Criteria: OMB Circular A-133 §___.400(d) indicates (among other things) pass-through entities shall monitor the activities of subrecipients as necessary to ensure that Federal awards are used for the authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved and ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year. Additionally, as part of the agreement with the Stark County Department of Job and Family Services the Family Council has stipulated that it will conduct site visits to provider agencies for the purposes of monitoring fiscal and programmatic compliance and quality. Agencies funded through HMG must obtain and/or maintain compliance with all program requirements, implement internal controls and management procedures to ensure quality services, and report outcomes as required by the Family Council and Ohio Department of Health.

Condition and Context: The Council has contracts with twelve agencies to provide TANF related Help Me Grow services. During FY07 no on-site visits were performed.

Ramifications/Effect: Without site visits it is difficult to determine if the subrecipient is adhering to the laws, regulations, and requirements of the grant. Client files may be incomplete, service notes may not agree to the services being billed, providers may not have the necessary certifications to be providing the services being billed, the provider may have federal grant funding that is not being considered when determining if an A-133 audit is needed or documentation of outcomes may be inconsistent with billed services.

Any one of the issues noted above could result in unallowed costs being paid to the subrecipient and received by the Stark County Family Council. At the current time the Council does not have the staff necessary to perform on-site visits. Staff personnel must be very knowledgeable of the requirements, be able to read and review client files, and determine if the subrecipient is in compliance and has the necessary controls in place to endure compliance.

Recommendation: We recommend the Council establish a monitoring policy that indicates the nature, timing and extent of subrecipient monitoring. The policy should include the types of monitoring to be performed (i.e. report reviews, on-site visits and file reviews, regular contacts, checklists, or other means) to provide reasonable assurance the subrecipient administers the Federal award in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. During the award monitoring should be based on the programs complexity, percentage of subrecipients program award and subrecipient risk. Each subcontractor should be risk assessed as part of the annual monitoring process. Evaluations of the visits should be prepared and reviewed by management and the subrecipient. Corrective actions plans should be required and follow-up should be

STARK COUNTY FAMILY COUNCIL
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007
(Continued)

FINDING NUMBER	2007-002 (continued)
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performed after a specified period to determine if correction have been made. The policy should also indicate who is responsible for the monitoring process.

Management should consider reviewing the staffing that would be required to monitor subrecipients and adjust current personnel job requirements or consider additional employees to ensure subrecipient monitoring is performed as required.

Non-compliance & Significant Deficiency

FINDING NUMBER	2007-003
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Federal Agency: Department of Health and Human Services
Pass-through Agency: Ohio Department of Job & Family Services
Federal Program: Temporary Assistance for Needy Families
CFDA # 93.558

Criteria: 45 CFR 92.23(a) states "where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period." OMB Circular A-110, §__.28 states "where a funding periods is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency." Additionally, the contract between the Stark County Department of Job & Family Services and the Family Council indicates under the Funding Period paragraph "The Help Me Grow project period will begin July 1, 2006 and continue through June 30, 2007. Providers will be reimbursed for services provided through June 30, 2007 only. There will be no carry over of funds."

Condition: The client has paid subrecipients for services provided prior to the period of availability. The grant indicates the grant period is July 1, 2006 through June 30, 2007. Services paid for under the FY07 grant should be within that period.

Context: We examined the July and August invoices for the four largest subrecipients (out of 12 agencies contracted) to determine if there were services provided by the subrecipients outside the grant period for both the Fiscal Year 2007 and 2008 grants. We noted no errors in the Fiscal Year 2008 grant. We did note 117 units of TANF services dated before July 1, 2006 that were paid under the Fiscal Year 2007 grant for the subrecipients tested. The total amount billed by the subrecipients tested in July 2006 was \$76,597 with the total amount billed for all subrecipients being \$85,395.

Effect: These services totaled \$8,190 paid to subrecipients (\$70 per unit of service) for services outside the period of availability. The Stark County Family Council then billed the Stark County Department of Job and Family Services at \$90 per unit of service totaling \$10,530 for services outside the period of availability.

STARK COUNTY FAMILY COUNCIL
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007
(Continued)

FINDING NUMBER	2007-003 (continued)
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Questioned Costs: The amount overbilled to the Stark County Department of Job and Family Services was \$10,530 for those subrecipients tested. Additionally, \$1,210 is projected questioned costs for those subrecipients not tested. The projected costs were determined by extrapolating the known error over the entire amount billed for July 2006.

Recommendation: We recommend the Council review the service dates more closely to determine if they are within the period of availability and therefore can be billed under the current year grant. Other sources of funding, without this type of restriction, should be substituted for TANF funding if possible. Service provider agencies should be reminded that services must be input into the billing system by the tenth of the following month. In some cases the prior period services may be billable under the previous year grant if an additional billing is allowed by the pass-through agency.

STARK COUNTY FAMILY COUNCIL
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CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-001	The Council will meet with their Administrative Agent, the Mental Health & Recovery Services Board of Stark County to determine an efficient process to develop a combined financial statement and assign the person responsible to complete this task	June 30, 2008	Carol Lichtenwalter, Director
2007-002	Fiscal monitoring plan for HMG service providers will be developed and staff will be assigned and trained to begin on-site audit. A schedule will be developed to conduct visit of all sub-recipients by December 31, 2008 and annually thereafter.	June 30, 2008	Laura Recchio, HMG Assistant Project Director
2007-003	The method to ensure timely invoicing for services has already been improved for FY08. Closer monitoring of billing dates is now in place. Detailed service date information will be provided to SCDJFS beginning FY09. The problem sited will be reviewed with Stark County Department of Job & Family Services in order to determine the appropriate corrective action for the questioned costs.	March 30, 2008	Carol Lichtenwalter, Director



Mary Taylor, CPA
Auditor of State

STARK COUNTY FAMILY COUNCIL

STARK 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 11, 2008**