

**CLERMONT COUNTY FAMILY AND CHILDREN
FIRST COUNCIL
CLERMONT COUNTY
Regular Audit
For the Year Ended December 31, 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Clermont County Family and Children First Council
2337 Clermont Center Drive
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Clermont County Family and Children First Council, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 11, 2014

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**CLERMONT COUNTY FAMILY AND CHILDREN FIRST COUNCIL
CLERMONT COUNTY**

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INDEPENDENT AUDITOR'S REPORT

May 20, 2014

Clermont County Family and Children First Council
Clermont County
2337 Clermont Center Dr.
Batavia, OH 45103

To the Council:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Clermont County Family and Children First Council**, Clermont County, Ohio (the Council), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont County Family and Children First Council, Clermont County, Ohio, as of December 31, 2013, and the respective changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Council's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position and changes in net position. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2014, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Clermont County Family and Children First Council
Clermont County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

The discussion and analysis of the Clermont County Family and Children First Council's (the Council) financial performance provides an overall review of the Council's financial activities for the year ended December 31, 2013, within the limitations of the Council's modified cash basis accounting. The intent of this discussion and analysis is to look at the Council's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2013 are as follows:

- The net position of the Council is \$857,622. Of this amount, \$803,162 (unrestricted) may be used to meet the Council's ongoing programs.
- The Council's revenue decreased by \$130,978 due to a decrease in state funding for Help Me Grow programs.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Council's cash basis of accounting.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Council as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Council has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Council's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Council as a Whole

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Council did financially during 2013, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the cash balances and investments of the governmental activities of the Council at year end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Council's general receipts.

**Clermont County Family and Children First Council
Clermont County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited**

These statements report the Council's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Council's financial health. Over time, increases or decreases in the Council's cash position is one indicator of whether the Council's financial health is improving or deteriorating. When evaluating the Council's financial condition, you should also consider other nonfinancial factors such as the Council's reliance on nonlocal financial resources for the operations and the need for continued growth.

Reporting the Council's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Council's major funds – not the Council as a whole. The Council establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Council are split into the following category:

Governmental Funds – All of the Council's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Council's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Council's programs. The Council's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Council's major governmental funds are the General Fund and the Help Me Grow Special Revenue Fund.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 11 of this report.

Government-Wide Financial Analysis

Table 1 provides a summary of the Council's net position for 2013 compared to 2012.

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets		
Cash and Cash Equivalents	\$ 857,622	\$ 747,661
Net Position		
Restricted:		
Grants	54,460	66,078
Unrestricted	803,162	681,583
<i>Total Net Position</i>	\$ 857,622	\$ 747,661

**Clermont County Family and Children First Council
Clermont County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited**

Table 2 provides a summary of the changes in net position for 2013 compared to 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Program Cash Receipts:		
Operating Grants and Contributions	\$ 822,527	\$ 937,755
General Cash Receipts:		
Unrestricted Grants	-	15,750
Total Cash Receipts	<u>822,527</u>	<u>953,505</u>
Cash Disbursements:		
Human Services	712,566	970,400
Total Cash Disbursements	<u>712,566</u>	<u>970,400</u>
Increase (Decrease) in Net Position	109,961	(16,895)
Beginning Net Position	747,661	764,556
Ending Net Position	<u>\$ 857,622</u>	<u>\$ 747,661</u>

Governmental Activities

The Council's governmental activities include promoting and facilitating communication and collaboration among Clermont County child and family serving agencies to ensure that Clermont County infants, children, adolescents and their families receive appropriate and responsive services to enable youth to develop adequate skills in preparation for a successful adulthood. Some of these services are: the home visitor program is provided through the Ohio Children's Trust Fund, Help Me Grow provides prenatal support, newborn home visits, service to children with developmental concerns, and ongoing home visitation and Family Centered Services and Support (FCSS) focuses on maintaining children and youth (ages 0 through 21) in their own homes and communities by providing non-clinical home based services and support. Operating grants and contributions decreased \$115,228 due to a decrease in state funding for Help Me Grow. Expenses decreased by \$257,834 due to fewer services provided because of the decreased funding.

Financial Analysis of the Council's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Council's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Council's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$857,622. Of this amount, \$806,009 constitutes unassigned fund balance, which is available for spending.

**Clermont County Family and Children First Council
Clermont County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited**

The General Fund is the chief operating fund of the Council. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$815,065. Revenues exceeded expenditures in the General Fund by \$144,294 in 2013. Contributions – Governmental accounts for 100% of revenues in the General Fund. Contributions – Governmental consists of local contributions from Clermont County Board of Developmental Disabilities, Clermont County Mental Health and Recovery Board, Clermont County General Health District, Clermont County Department of Jobs and Family Services, Clermont Board of County Commissioners and Clermont County Juvenile Court. The money received is used for the general operations of the Council.

The Help Me Grow Special Revenue Fund received \$346,895 in Help Me Grow grant money for the Help Me Grow program which provides prenatal support, newborn home visits, and services to children with developmental concerns and ongoing home visitation. This is \$146,156 less than the grant money received in 2012.

Economic Factors and Next Year's Budget

Clermont County has experienced growth in the participation of its programs. The Council maintains a conservative approach to spending while maximizing its revenues. The Council will have to review alternative methods of intergovernmental funding, since the State of Ohio's fiscal condition continues to remain uncertain and the Council's portion of state-based program revenue may be affected by the fiscal year 2014 State budget bill.

All of these factors were considered in the preparation of the Council's 2013 budget. In keeping the above factors in mind, the Council has maintained a conservative 2014 budget.

Requests for Information

This financial report is designed to provide our citizens, creditors and investors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karen Scherra, Executive Director, 2337 Clermont Center Drive, Batavia, Ohio 45103, (513)732-5400.

Clermont County Family and Children First Council
Clermont County
Statement of Net Position - Cash Basis
December 31, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 857,622
<i>Total Assets</i>	857,622
 Net Position	
Restricted for:	
Grants	54,460
Unrestricted	803,162
<i>Total Net Position</i>	\$ 857,622

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

Clermont County Family and Children First Council
Clermont County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2013

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Operating Grants</u> <u>and Contributions</u>	<u>Net (Disbursements) Receipts</u> <u>and Changes in Net Position</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities			
Current:			
Human Services	\$ 712,566	\$ 822,527	\$ 109,961
<i>Total Governmental Activities</i>	<u>\$ 712,566</u>	<u>\$ 822,527</u>	109,961
Change in Net Position			109,961
<i>Net Position Beginning of Year</i>			<u>747,661</u>
<i>Net Position End of Year</i>			<u>\$ 857,622</u>

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

Clermont County Family and Children First Council
Clermont County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2013

	<u>General</u>	<u>Help Me Grow</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 815,065	\$ (9,056)	\$ 51,613	\$ 857,622
Total Assets	<u>\$ 815,065</u>	<u>\$ (9,056)</u>	<u>\$ 51,613</u>	<u>\$ 857,622</u>
Fund Balances				
Restricted for Grants	\$ -	\$ -	\$ 31,613	\$ 31,613
Committed for Mental Health	-	-	20,000	20,000
Unassigned (Deficit)	815,065	(9,056)	-	806,009
Total Fund Balances	<u>\$ 815,065</u>	<u>\$ (9,056)</u>	<u>\$ 51,613</u>	<u>\$ 857,622</u>

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

Clermont County Family and Children First Council
Clermont County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2013

	General	Help Me Grow	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$ -	\$ 346,895	\$ 130,787	\$ 477,682
Contributions - Governmental	344,845	-	-	344,845
<i>Total Receipts</i>	<u>344,845</u>	<u>346,895</u>	<u>130,787</u>	<u>822,527</u>
Disbursements				
Current:				
Health	200,551	382,851	129,164	712,566
<i>Total Disbursements</i>	<u>200,551</u>	<u>382,851</u>	<u>129,164</u>	<u>712,566</u>
Net Change in Fund Balances	144,294	(35,956)	1,623	109,961
<i>Fund Balances Beginning of Year</i>	<u>670,771</u>	<u>26,900</u>	<u>49,990</u>	<u>747,661</u>
<i>Fund Balances End of Year</i>	<u>\$ 815,065</u>	<u>\$ (9,056)</u>	<u>\$ 51,613</u>	<u>\$ 857,622</u>

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

**Clermont County Family and Children First Council
Clermont County**

**Notes to the Financial Statements
December 31, 2013**

1. DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY

A. Description of the Entity

Ohio Rev. Code Section 121.37 created the Ohio Family and Children First Cabinet Council and required each Board of County Commissioners to establish a County Family and Children First Council. Statutory membership of County Council consists of the following individuals:

- a. 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;
- b. 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. If a Board of Alcohol, Drug Addition, and Mental Health Services covers more than one County, the Director may designate a person to participate on the County's Council;
- c. The Health Commissioner, or the Commissioner's designee, of the Board of Health of each City or General Health District in the County. If the County has two or more health districts, the Health Commissioner membership may be limited to the Commissioners of the two districts with the largest populations;
- d. The Director of the County Department of Job and Family Services;
- e. The Executive Director of the public children services agency or the County agency responsible for the administration of children services pursuant to the Ohio Revised Code Section 5153.15;
- f. The Superintendent of the County Board of Developmental Disabilities;
- 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 Ohio 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 municipal corporation with the largest population in the County;
- j. The President of the Board of County Commissioners or an individual designated by the Board;
- k. A representative of the regional office of the Ohio Department of Youth Services;
- l. A representative of the County's Head Start agencies, as defined in Ohio Revised Code Section 3301.32;
- m. A representative of the County's Early Intervention collaborative established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Education Act of 2004"; and

**Clermont County Family and Children First Council
Clermont County**

**Notes to the Financial Statements
December 31, 2013
(Continued)**

1. DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY (CONTINUED)

A. Description of the Entity (Continued)

- n. A representative of a local nonprofit entity that funds, advocates, or provides 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.

The purpose of the County Council is to streamline and coordinate existing government services for families seeking services for their children. In seeking to fulfill its purpose, a County Council shall provide for the following:

- a. Referrals to the Cabinet Council of those children for whom the County Council cannot provide adequate services;
- b. Development and implementation of a process that annually evaluates and prioritizes services, fills service gaps where possible, and invents new approaches to achieve better results for families and children;
- c. Participation 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 "Individuals with Disabilities Education Act of 2004";
- d. Maintenance of an accountability system to monitor the County Council's progress in achieving results for families and children; and
- e. Establishment of a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

B. Cabinet

The Ohio Family and Children First Initiative of Clermont County was established in 1993. This organization served as a county council: however, it lacked council membership as required by Ohio Revised Code Section 121.37. In July of 1996, the Clermont County Children's Cabinet added the necessary membership to become a county council. Although legally a county council, the Council continues to refer to themselves as "the Cabinet".

C. Fiscal Agent and Administrative Agent

The Clermont County Auditor serves as the Council's fiscal agent on a contractual basis. The Clermont County Mental Health and Recovery Board is the administrative agent. Council funds are maintained on the accounting system of the County. Council records are balanced with the County records on a monthly basis.

**Clermont County Family and Children First Council
Clermont County**

**Notes to the Financial Statements
December 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the “Basis of Accounting” section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Council’s accounting policies are described below.

Basis of Presentation

The Council’s basic financial statements consist of government-wide statements, including a statement of net position – cash basis and a statement of activities – cash basis, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Council as a whole. These statements include the financial activities of the primary government.

The statement of net position – cash basis presents the financial condition of the governmental activities for the Council at year end. The statement of activities – cash basis presents a comparison between disbursements and program receipts for each program or function of the Council’s governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Council is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Council, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Council.

Fund Financial Statements

During the year, the Council segregates transactions related to certain Council functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Council at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Council are presented in one category; governmental.

**Clermont County Family and Children First Council
Clermont County**

**Notes to the Financial Statements
December 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

Governmental funds are those through which most governmental functions of the Council are financed. Governmental fund reporting focuses on the sources, use and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Council's major governmental funds:

General Fund

This fund accounts for the general operating revenues and expenditures of the Council not recorded elsewhere. The General Fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

Help Me Grow Special Revenue Fund

This fund is used to account for revenues and expenditures of programs that provide time-limited assistance to families with children so that the children can be cared for in their own homes or in the homes of relatives; end dependence of parents on government benefits by promoting job preparation, work, and marriage; prevent and reduce out-of-wedlock pregnancies, including establishing prevention and reduction goals; and encourage the formation and maintenance of two-parent families.

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

Basis of Accounting

The Council's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Council are described in the appropriate section of this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Cash Equivalents

The County Treasurer is the custodian for the Council's cash and cash equivalents. The County's cash pool holds the Council's cash and cash equivalents, which are reported at the County Treasurer's carrying amount. Deposit disclosures for the County as a whole may be obtained from the Clermont County Auditor, Linda L. Fraley, 101 E. Main Street, Batavia, Ohio, 45103, www.clermontauditor.org, (513) 732-7150.

**Clermont County Family and Children First Council
Clermont County**

**Notes to the Financial Statements
December 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

Enabling legislation authorizes the Council to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Council can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Council or by State Statute.

**Clermont County Family and Children First Council
Clermont County**

**Notes to the Financial Statements
December 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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

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

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Council's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

3. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that might be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

4. RISK MANAGEMENT

The Council is exposed to various risks of property and casualty losses, and injuries to employees.

The Council insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Council belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO.

Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**Clermont County Family and Children First Council
Clermont County**

**Notes to the Financial Statements
December 31, 2013
(Continued)**

4. RISK MANAGEMENT (CONTINUED)

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Council's share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2012</u>
\$ 16,095	\$ 15,701

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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

May 20, 2014

Clermont County Family and Children First Council
Clermont County
2337 Clermont Center Dr.
Batavia, OH 45103

To the Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Clermont County Family and Children First Council**, Clermont County, (the Council) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated May 20, 2014, wherein we noted the Council uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 that we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio



Dave Yost • Auditor of State

CLERMONT COUNTY FAMILY AND CHILDREN FIRST COUNCIL

CLERMONT 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
JUNE 24, 2014**