

**CHILDREN'S SERVICES COUNCIL  
OF MARTIN COUNTY**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013**

# CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY

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**FINANCIAL SECTION**



CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES  
AUDIT, TAXATION & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

Council Members  
Children's Services Council of Martin County  
Stuart, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the single major fund of Children's Services Council of Martin County (the Council) as of and for the year ended September 30, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the single major fund of Children's Services Council of Martin County as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 24 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014, on our consideration of Children's Services Council of Martin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* in considering Children's Services Council of Martin County's internal control over financial reporting and compliance.

Proctor, Crook, Crowder & Fogal, P. A.

33 S.W. Flagler Avenue  
Stuart, Florida  
February 24, 2014



# **CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY**

## **Management's Discussion and Analysis**

**September 30, 2013**

Our discussion and analysis of Children's Services Council of Martin County's (the Council) financial performance provides an overview of the Council's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the Council's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The net position of the Council's governmental activities increased by \$23,419 or 0.2 percent this year versus the prior year.
- Revenues for the Council's governmental activities decreased by 1.1 percent while total expenses increased 0.5 percent.
- The governmental fund of the Council reported an increase of \$104,521, which was mainly attributable to collecting more property tax revenue than budgeted and spending less on human services expenditures than expected.
- The actual charges to appropriations (expenditures) were \$224,597 below the final budget while resources available for appropriation (revenues) were \$148,370 over the final budget.

### **USING THIS ANNUAL REPORT**

#### **Reporting the Council as a Whole**

The Statement of Net Position and the Statement of Activities report information about the Council as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Council's net position and changes in it. The Council's net position – the difference between assets and liabilities – is one way to measure the Council's financial health, or financial position. Over time, increases or decreases in the Council's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Council's property tax base, should be considered to assess the overall health of the Council.

In the Statement of Net Position and the Statement of Activities, we report the Council's governmental activities. All of the Council's services are reported here, including general government and human services. Property taxes finance most of these activities.

## Reporting the Council's Single Major Fund

The fund financial statements provide detailed information about the single major fund, which is a governmental fund. All of the Council's services are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Council's fund balance by law, creditors, the Council, and the Council's adopted budget. Unassigned fund balance is available for spending for any purpose. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Council's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in reconciliations at the end of the fund financial statements.

## THE COUNCIL AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Council's governmental activities.

**Table 1  
Net Position**

	FY 2013	FY 2012
<b>ASSETS:</b>		
Current and other assets	\$ 5,997,475	\$ 5,906,463
Capital assets	2,779,397	2,855,309
Total assets	<u>8,776,872</u>	<u>8,761,772</u>
<b>LIABILITIES:</b>		
Long-term liabilities	84,154	78,964
Other liabilities	698,573	712,082
Total liabilities	<u>782,727</u>	<u>791,046</u>
<b>NET POSITION:</b>		
Invested in capital assets	2,779,397	2,855,309
Restricted	3,385,423	3,617,324
Unrestricted	1,829,325	1,498,093
Total net position	<u>\$ 7,994,145</u>	<u>\$ 7,970,726</u>

The net position of the Council’s governmental activities increased by 0.2 percent (\$7,994,145 compared to \$7,970,726). Unrestricted net position – the part of net position that can be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$1,498,093 at September 30, 2012, to \$1,829,325 at the end of this year. The decrease in net position invested in capital assets (\$2,779,397 compared to \$2,855,309) reflects the depreciation expense recognized in 2013. The decrease in restricted net position (\$3,385,423 compared to \$3,617,324) reflects the higher usage of grant funds at the end of 2013 by grantees coupled with a reduced allocated human service grant budget for the period July 1, 2013 through June 30, 2014.

**Table 2**  
**Changes in Net Position**

	FY 2013	FY 2012
<b>REVENUES:</b>		
Program revenues:		
Operating grants and contributions	\$ 52,710	\$ 48,000
General revenues:		
Property taxes	6,071,189	6,117,618
Other general revenues	55,639	86,213
Total revenues	<u>6,179,538</u>	<u>6,251,831</u>
<b>PROGRAM EXPENSES:</b>		
General government	1,050,625	1,105,218
Human services	<u>5,105,494</u>	<u>5,019,468</u>
Total expenses	<u>6,156,119</u>	<u>6,124,686</u>
Increase (decrease) in net assets	23,419	127,145
Net assets, beginning of year	<u>7,970,726</u>	<u>7,843,581</u>
Net assets, end of year	<u>\$ 7,994,145</u>	<u>\$ 7,970,726</u>

Revenues for the Council’s governmental activities decreased by 1.1 percent (\$72,293), while total expenses increased 0.5 percent (\$31,433). As a result, the increase in net position in 2013 was \$23,419 compared to an increase in net position in 2012 of \$127,145.

Property tax revenue decreased by 0.7 percent (\$46,429) from the prior year due to the Council not changing the millage rate coupled with an approximate 1.0% decrease in the property values.

In an effort to manage the modest decline in property tax values, the Council made decisions to maintain total expenses to minimize the need to approve additional tax increases. The general government expenses decreased 4.9 percent (\$54,593) and human services expenses increased 1.7 percent (\$86,026).

## **THE COUNCIL'S FUNDS**

As the Council completed the year, its governmental fund reported a fund balance of \$5,298,902, as compared to last year's total of \$5,194,381. Of the current ending fund balance, the following categories are recorded and primary uses noted in accordance with GASB 54:

- \$104,425 is recorded as nonspendable primarily due to prepaid expenses (\$34,781) and investments that have a contractual weighted-average maturity in excess of one year (\$69,644);
- \$3,385,423 is recorded as restricted primarily due to grants;
- \$124,072 is recorded as assigned primarily due to compensated absences (\$84,154), budget carryover to FY 2014 (\$21,918) and major building repairs and replacements (\$18,000);
- \$1,684,982 is the remaining fund balance, thus it is unassigned. As part of the unassigned fund balance, the Council has designated a stabilization amount of \$278,713. The stabilization amount may be used to mitigate revenue shortfalls and/or an unstable tax collection environment. It is the intent that the stabilization amount shall equal three months of the annual operating budget in any given year.

The primary reason for the modest increase in fund balance of the governmental fund was as follows:

- The Council collected more property tax revenue than budgeted and spent less on total human services expenditures than expected.

**General Fund Budgetary Highlights**

There were no differences between the original budget and the final amended budget.

The actual charges to appropriations (expenditures) were \$224,597 below the final budget. The most significant positive variance was in the human services area, whereby total program funding allocations to community partners were utilized at a lower rate than expected. Resources available for appropriation (revenues) were \$148,370 over the final budgeted amount. The most significant positive variance was in the property tax revenue area, whereby actual property taxes collected exceeded the amount budgeted. Since the amount of property taxes budgeted is ninety-five percent of the amounts assessed, it is not unusual for the actual property tax revenue to exceed the budgeted property tax revenue.

**CAPITAL ASSET AND LONG-TERM LIABILITY ADMINISTRATION**

**Capital Assets**

At the end of 2013, the Council had \$2,779,397 invested in capital assets including furniture and equipment, building, and land. This amount represents a net decrease (including additions and disposals) of \$75,912, or 2.6 percent less than last year.

**Table 3  
Capital Assets at Year-End (Net of Depreciation)**

	FY 2013	FY 2012
Furniture and equipment	\$ 181,111	\$ 202,013
Building	2,062,876	2,117,886
Land	535,410	535,410
Totals	<u>\$ 2,779,397</u>	<u>\$ 2,855,309</u>

This year’s major additions included:

Furniture and equipment	<u>\$ 4,346</u>
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**Long-Term Liabilities**

At year end, the Council had \$84,154 in accrued compensated absences versus \$78,964 last year – an increase of 6.5 percent. The increase is attributable to employees using less accrued benefits in 2013.

## **CURRENT AND FUTURE OUTLOOK**

2013 was a transition year for the Children's Services Council with the completion of the Children's Services Council new strategic plan and the reorganization of the Council Board with eight new board members. Governor Scott appointed four new community representatives and four of the mandated positions saw newly elected members or appointments. This is an opportunity to engage this new board in the mission and work of the organization.

This was a relatively flat year financially with a slight decrease in property value of 1.13%. The Council made no changes in the millage rate for 2013 adopting a millage rate of .3693 in September.

The Children's Services Council staff continues our work with other local funders like the United Way, the Hobe Sound Community Chest, The Agency for Workforce Innovation, Allegany Franciscan Ministries, Community Foundation for Palm Beach and Martin Counties and Martin County Government to jointly plan and collectively address local funding concerns. The joint planning study "The Childhood Connection" was completed in partnership with the Children's Services Council, The Whole Child Connection, The Business Development Board, the United Way, Martin County Government, The Allegany Franciscan Ministries, and The Community Foundation for Palm Beach and Martin Counties. This research has guided the Council planning and response to emerging needs and has informed the Council's new Strategic Plan adopted in September 2013.

We end 2013 anxiously anticipating the roll out of the Council's new funding priorities and the release of the Council's first Invitation to Negotiate developed to address Summer Learning Loss. This is a challenging and exciting time for the Children's Services Councils and the state; difficult decisions remain in our path. We face reauthorization of the Council's taxing authority on November 2, 2014. The Council's community education and engagement efforts have been underway for several years with the goal of increasing the level of community awareness about the Council's work. We believe that partnerships and a combination of private and public resources continue to be the solution to having a collective impact on community challenges.

We look forward to 2014 with an eye toward solution and remain committed to addressing our community's emerging concerns as they arise. This work is critical to ensuring that Martin County remains a productive vibrant place to live and raise a family.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Council's finances for all who have an interest in this agency and to show the Council's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the Council's Director of Finance and Human Resources at 101 SE Central Parkway, Stuart, Florida 34994.

**BASIC FINANCIAL STATEMENTS**

# CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

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	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 5,829,824
Accounts receivable	63,226
Prepaid items	34,781
Restricted investments	69,644
Capital assets, net	<u>2,779,397</u>
Total assets	<u>8,776,872</u>
Liabilities:	
Accounts payable and accrued liabilities	31,206
Grants payable	667,367
Compensated absences	<u>84,154</u>
Total liabilities	<u>782,727</u>
Net position:	
Invested in capital assets	2,779,397
Restricted for grants	3,385,423
Unrestricted	<u>1,829,325</u>
Total net position	<u><u>\$ 7,994,145</u></u>

The accompanying notes are an integral part of these financial statements.

# CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2013

### FUNCTION/PROGRAM ACTIVITIES

	<u>Total Governmental Activities</u>
Expenses:	
General government	\$ 1,050,625
Human services	<u>5,105,494</u>
Total expenses	6,156,119
Program revenues:	
Operating grants and contributions	52,710
Net program expense	<u>6,103,409</u>
General revenues:	
Property taxes	6,071,189
Rental income	24,504
Interest and other income	<u>31,135</u>
Total general revenues	<u>6,126,828</u>
Change in net position	23,419
Net position, beginning of year	<u>7,970,726</u>
Net position, end of year	<u><u>\$ 7,994,145</u></u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2013**

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**ASSETS**

Cash and cash equivalents	\$ 5,829,824
Accounts receivable	63,226
Prepaid items	34,781
Restricted investments	<u>69,644</u>
Total assets	<u>\$ 5,997,475</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable and accrued liabilities	\$ 31,206
Grants payable	<u>667,367</u>
Total liabilities	<u>698,573</u>

Fund balances:

Non-spendable	104,425
Restricted	3,385,423
Assigned	124,072
Unassigned	<u>1,684,982</u>
Total fund balances	<u>5,298,902</u>

Total liabilities and fund balances	<u>\$ 5,997,475</u>
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The accompanying notes are an integral part of these financial statements.

**CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2013**

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Total governmental fund balances \$ 5,298,902

Amounts reported for governmental activities in the statement of  
net position are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the governmental funds:

Cost of assets	\$ 2,989,242	
Accumulated depreciation	<u>(209,845)</u>	2,779,397

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the funds. Long-term liabilities at  
year end consist of:

Compensated absences	<u>(84,154)</u>
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Total net position	<u><u>\$ 7,994,145</u></u>
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**CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
GOVERNMENTAL FUNDS**

**YEAR ENDED SEPTEMBER 30, 2013**

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Revenues:	
Property taxes	\$ 6,071,189
Intergovernmental income	52,710
Rental income	24,504
Interest and other income	31,135
Total revenues	<u>6,179,538</u>
Expenditures:	
Current:	
General government	965,177
Human services	5,105,494
Capital outlay	4,346
Total expenditures	<u>6,075,017</u>
Net change in fund balance	104,521
Fund balances, beginning of year	<u>5,194,381</u>
Fund balances, end of year	<u>\$ 5,298,902</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2013**

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Net change in fund balances - total governmental funds		\$ 104,521
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for capital assets	\$ 4,346	
Less - current year depreciation	<u>(80,258)</u>	
		(75,912)
Some expenses reported in the statement of activities may or may not require the use of current financial resources and therefore may or may not be reported as expenditures in governmental funds.		
Change in long-term compensated absences		<u>(5,190)</u>
Change in net position		<u>\$ 23,419</u>

The accompanying notes are an integral part of these financial statements.

# CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY

## NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**The Reporting Entity** — The Council is an independent special taxing district organized under the laws of Florida. It was created June 28, 1988, by a unanimous vote of the Martin County Board of County Commissioners reflected in Ordinance 348 pursuant to Florida Statute 125.901. On November 8, 1988, the electorate of Martin County by a 62% vote approved a referendum authorizing the Council to levy an ad valorem tax not to exceed one-half mill (\$.50 per each \$1,000 assessed taxable value of property). This Statute was amended in 2010 and will require a ballot referendum to retain or dissolve the Council by November 2014. The purpose of the Council is to address public policy issues and needs related to children in Martin County and respond to those needs by coordinating, evaluating and funding programs administered by community agencies that are operated for the benefit of children. The Council does not provide direct services to children.

In evaluating the Council as a reporting entity, the Council applied the provisions of the Governmental Accounting Standards Board (GASB). The concept underlying the definition of the financial reporting entity is that governmental organizations are responsible to elected governing officials at the federal, state, or local level; therefore, financial reporting by a state or local government should report on elected officials' accountability for those organizations. The financial reporting entity consists of the Council and organizations for which the Council is financially accountable. The Council consists of all the organizations which make up its legal entity. The Council meets the following criteria: it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. The governing board of the Council is comprised of ten members, five of which consist of the Superintendent of Schools, a local school board member, the District XV Administrator or designee from the Florida Department of Children and Families, a member of the Martin County Board of County Commissioners, and the judge assigned to juvenile cases. The other five members are appointed by the Governor of Florida. The Board has complete authority to hire management and all other employees. The Council is empowered by Florida Statutes to levy ad valorem taxes against property owners in Martin County and is independent of the levies of the County. The County has no claim to Council surpluses and has no budgetary authority. Based upon application of these criteria, the Council has determined it is an independent entity and, accordingly, is not a component unit of the County.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In determining whether organizations are considered component units of a governmental entity, which warrants the inclusion of a legally separate organization in the reporting entity of another government, several guidelines are followed. If the Council appoints a voting majority of the organization's officials, has the ability to impose its will on the organization, and has a potential for the organization to impose a financial benefit to or burden on a primary government, the primary government is financially accountable for that organization. While the Council provides funding for various programs, each agency sponsoring the program is financially independent of the Council. The Council has no authority to appoint or hire management of the agencies nor does it have responsibility for routine operations of the agencies. Based upon application of these factors, it has been concluded that the Council has no oversight responsibility for the various funded agencies, and therefore their financial statements are excluded from the reporting entity as component units.

(Notes continued on next page)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basic Financial Statements** — The basic financial statements include both government-wide and fund financial statements.

The government-wide statements focus on the Council as a whole, while the fund financial statements focus on major individual funds.

### Government-wide Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. These statements report information on all of the activities of the Council. The statement of activities demonstrates the extent to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

### Fund Financial Statements

Separate financial statements are provided for the governmental fund. Currently, the Council only uses the General Fund.

## **Measurement Focus and Basis of Presentation**

### Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Because the government-wide statements are presented on a different measurement focus and basis of accounting than the fund financial statements, reconciliations are presented to explain the adjustments needed to transform the fund-based financial statements into the government-wide presentation.

### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Council considers property taxes and other revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when a payment is due.

Property taxes and interest on investments are susceptible to accrual and so have been recognized as revenues in the current period.

(Notes continued on next page)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Major Funds** — The Council reports the following major fund:

The General Fund is the Council's primary operating fund. It accounts for all financial resources of the Council. Currently, the Council only has the need for a General Fund.

**Encumbrances** — Encumbrances, if material, are reported within the applicable fund balance classification at year end. Encumbrance accounting is employed as an extension of the formal budgetary process to reflect the estimated amount of future expenditures arising from the issuance of purchase orders, contracts or other forms of legal commitments existing at year end which will be paid in the future. Encumbrances do not constitute expenditures or liabilities since goods and services have not been received.

**Cash and Cash Equivalents** — The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash balances are invested to the extent available in the State Treasurer's investment pool, and repurchase agreements.

**Investments** — The Council has funds invested in the Local Government Investment Pool. This investment pool is available for investing temporarily idle cash by Florida governments and is managed by the State Board of Administration (“SBA”). In order to accommodate pool participants with readily available cash, a substantial portion of the portfolio is placed in short-term securities.

In November 2007, the SBA implemented a temporary freeze on the assets held in the SBA’s Local Government Investment Pool (the “Pool”) due to an unprecedented amount of withdrawals from the Pool, coupled with the absence of market liquidity for certain securities within the Pool. In December 2007, the SBA restructured the Pool into two separate funds. Florida PRIME consisted of all money market appropriate assets and Fund B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk.

Florida PRIME is considered a SEC 2a7 - like fund. As of September 30, 2013, the Council had \$4,654,774 in Florida PRIME, which is reported as cash and cash equivalents in the financial statements. Fund B is accounted for as a fluctuating net asset value (NAV) pool. As of September 30, 2013, Fund B participants were prohibited from withdrawing any amount from the Fund and a formal withdrawal policy has not yet been developed. As maturities occur in Fund B, the monies are released and transferred to Florida PRIME. Since December 31, 2007, \$966,096 of the Council’s monies in Fund B have been released, leaving a fair value of \$69,644, which is recorded as restricted investments in the financial statements. In addition, Fund B experienced an unrealized gain in market value for the year ended September 30, 2013 of \$15,009. This is reported as part of interest and other income in the accompanying financial statements.

**Capital Assets** — Capital assets, which include furniture and equipment, building, and land purchased or acquired, are carried at historical cost or estimated historical cost. Donated assets are recorded at fair market value as of the date donated.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Life</u>
Furniture and equipment	5 - 10 Years
Building	39 Years

(Notes continued on next page)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance** –The Council adopted a Fund Balance Policy to comply with Governmental Accounting Financial Standards Board Statement (“GASB”) No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. Within the governmental funds of the Council, Fund Balance shall be composed of nonspendable, restricted, committed, assigned, and unassigned amounts.

Fund Balance – The difference between assets and all current operational commitments and liabilities reported in a governmental fund.

Non-spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (inventories, prepaid expenditures) and items such as long-term amount of loans, property acquired for resale, as well as unrealized gains.

Restricted Fund Balance – Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be used only for specific purposes determined by a formal action (resolution) of the Council, the Council’s highest level of decision making authority. Commitments may only be removed or changed by the Council taking the same formal action (resolution) that imposed the constraint originally.

Assigned Fund Balance – Amounts that are constrained by the government’s intent to be used for specific purposes that are neither considered restricted or committed. The authority to assign fund balances lies with the Council, the budget committee, or an official who has been given the authority to assign funds.

Unassigned Fund Balance – The residual classification for the General Fund resources. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Restricted amounts shall be spent first unless there are legal documents/contracts prohibiting this, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of the classifications could be used.

As of September 30, 2013, the break out of the fund balances is shown below:

	<u>General Fund</u>
Non-spendable:	
Prepays	\$ 34,781
Restricted investments	69,644
Restricted:	
Grants	3,385,423
Assigned:	
Compensated absences	84,154
Budget carryover to fiscal year 2014	21,918
Major building repairs and replacements	18,000
Unassigned	<u>1,684,982</u>
	<u><u>\$ 5,298,902</u></u>

(Notes continued on next page)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the Council has designated a stabilization arrangement as part of unassigned fund balance. The stabilization arrangement may be used to mitigate revenue shortfalls and/or an unstable tax collection environment and may be established and/or changed by the Council members, the budget committee, or another authorized official who has been given authority. It is the intent that the stabilization balance shall equal three months of the annual operating budget in any given year. In the event these funds are utilized, the prescribed level should be replenished within a two year period in order to prepare for future events. The stabilization amount at September 30, 2013 was \$278,713.

**Net Position** — Net position presents the difference between assets and liabilities in the Statement of Net Position. Net position invested in capital assets represents the net book value of capital assets. Net position is reported as restricted when assets are not considered available for future use or are legally segregated for a specific future use. Net position that is unrestricted is available for future use or appropriation.

**Compensated Absences** — The Council employees are granted a specific number of paid vacation and sick leave days. Employees are permitted to accumulate no more than 30 days of vacation at any time.

Employees can accrue unlimited sick leave, but are reimbursed for a percentage of unused sick leave upon termination. The costs of vacation and sick leave benefits (compensated absences) are budgeted and expended in the general fund when payments are made to employees. However, the liability for all accrued and vested vacation and sick leave benefits is recorded in the government-wide financial statements.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - DEPOSITS AND INVESTMENTS

**Deposits** — In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Council's deposits at year end are insured or collateralized with securities held by the entity or by its agent in the entity's name.

**Investments** — Florida Statutes authorize the Council to invest any surplus public funds in:

1. The Local Government Investment Pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Savings accounts in state-certified qualified public depositories.
4. Certificates of deposit in state-certified qualified public depositories.
5. Direct obligations of the U.S. Treasury or any other government agencies.
6. Repurchase agreements.

(Notes continued on next page)

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

As of September 30, 2013, the Council had the following deposits and investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
State investment pool - Florida PRIME	(a)	\$ 4,654,774
State investment pool - Fund B	(b)	\$ 69,644
Repurchase agreement	Daily	\$ 1,134,971

- (a) The weighted average days to maturity (WAM) was 44 days.
- (b) The weighted average life (WAL) was 4.04 years.

**Interest Rate Risk** — The Council does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** — The Council has no investment policy that would further limit its investment choices beyond the requirements in Florida Statutes. As of September 30, 2013, the Council’s investment in the state investment pool Florida PRIME was rated AAAM by Standard and Poors. The state investment pool Fund B was not rated.

**Custodial Credit Risk** — Custodial risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Council’s investment in repurchase agreements is held by the investment’s counterparty and not in the name of the Council.

**NOTE 3 - RECEIVABLES**

Accounts receivable totaling \$63,226 consist primarily of the reimbursement of Martin County Tax Collector fees of \$49,275 and PCG Medicaid reimbursement of \$11,646. Management has determined that an allowance for doubtful accounts is not necessary.

**NOTE 4 - PROPERTY TAX CYCLE**

The Council is permitted under Section 125.901 of Florida Statutes to levy ad valorem taxes on real property within Martin County, Florida provided such levy is approved by the electorate through a referendum. The maximum millage rate allowed by Florida Statute, established by Martin County Ordinance 348 and approved by the Martin County electorate, is one-half mill. The key dates in the ad valorem property tax cycle under normal conditions are as follows:

Property value assessment and lien date	January 1
Assessment roll validated	July 1
Millage levied	September 17
Beginning of fiscal year for which tax have been levied	October 1
Tax bill rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

(Notes continued on next page)

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

Component	Balance October 1, 2012	Additions	Disposals	Balance September 30, 2013
Capital assets:				
Furniture and equipment	\$ 305,125	\$ 4,346	\$ 1,029	\$ 308,442
Building	2,145,390	-	-	2,145,390
Land	535,410	-	-	535,410
	2,985,925	4,346	1,029	2,989,242
Less - accumulated depreciation:				
Building	27,504	55,010	-	82,514
Furniture and equipment	103,112	25,248	1,029	127,331
Total accumulated depreciation	130,616	80,258	1,029	209,845
Capital assets, net	\$ 2,855,309	\$ (75,912)	\$ -	\$ 2,779,397

Depreciation expense of \$80,258 was charged to General Government for the year ended September 30, 2013.

## NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for fiscal year ended September 30, 2013:

Component	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Due Within One Year
Compensated absences:					
Vacation accrual	\$ 37,001	\$ 43,380	\$ 46,455	\$ 33,926	\$ -
Sick leave accrual	41,963	33,989	25,724	50,228	-
Total compensated absences	\$ 78,964	\$ 77,369	\$ 72,179	\$ 84,154	\$ -

## NOTE 7 - COMMITMENTS AND CONTINGENCIES

At September 30, 2013, the Council had tentatively approved funding for next year's programs in the amount of \$4,857,405.

The budget of the property appraiser's office, as approved by the Department of Revenue, is the basis upon which taxing authorities of the County (except municipalities and the district school board) are billed by the property appraiser for services rendered. Each taxing authority is billed an amount that bears the same proportion to the total amount of the budget as its share of ad valorem taxes bore to the total levied for the preceding year. The Council paid fees of \$67,443 to the Property Appraiser for the year ended September 30, 2013.

(Notes continued on next page)

## **NOTE 7 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The tax collector's actual costs of collection must not exceed 2% of the tax revenues collected. The Council's charges for the year amounted to \$72,383 or 1.1% of tax revenues collected.

**Risk Management** — The Council is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omission; injuries to employees, and natural disasters. The Council purchases commercial insurance for claims for all material risks of loss to which the Council is exposed, including general liability, property, and workers' compensation insurance. The Council is also covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the amount of liability of the Council to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the past three years.

## **NOTE 8 - PENSION PLAN**

The Council provides a defined contribution pension plan sponsored by the Variable Annuity Life Insurance Company (VALIC).

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants' benefits that may be allocated to such participant's account.

The plan covers eligible employees who have completed at least 1,000 hours of service by their anniversary date and are at least 21 years old. Any employment in the non-profit health or social services field within the last three years before employment with the Council will count as service for purposes of eligibility.

The Council is required to contribute 15% of the covered employee's regular salary. During the year, the Council's required and actual contributions amounted to \$90,229.

## **NOTE 9 - GRANTS**

The Council provides coordination, evaluation and funding of various programs for children which are administered by organizations throughout Martin County, Florida in the following program areas:

1. Maternal and Child Health
  - Healthy birth outcomes
  - Healthy child development
2. After School Care
3. Mental Health
4. Child Abuse Prevention
5. Targeted Funding/Special Projects
6. Critical Source Providers

(Notes continued on next page)

**NOTE 9 - GRANTS (CONTINUED)**

As of September 30, 2013, \$3,385,423 of the \$4,550,098 that the Council awarded for grants in the 2013 budget has not been expended.

Total program grants awarded as of September 30, 2013	\$ 4,550,098
Total expended through September 30, 2013	<u>(1,164,675)</u>
Grants outstanding at September 30, 2013	<u>\$ 3,385,423</u>

**NOTE 10 - OPERATING LEASES**

The Council leases equipment under an operating lease through March 2017. Lease expenditures for the year ended September 30, 2013 amounted to \$45,259.

The following is a schedule of the minimum annual lease payments under the above leases for the remainder of the lease term.

2014	\$ 7,257
2015	\$ 7,257
2016	\$ 7,257
2017	\$ 3,629

**NOTE 11 - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 24, 2014, the date that the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

**YEAR ENDED SEPTEMBER 30, 2013**

	Original Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 5,961,468	\$ 5,961,468	\$ 6,071,189	\$ 109,721
Intergovernmental income	20,000	20,000	52,710	32,710
Rental income	28,700	28,700	24,504	(4,196)
Interest and other income	21,000	21,000	31,135	10,135
Total revenues	<u>6,031,168</u>	<u>6,031,168</u>	<u>6,179,538</u>	<u>148,370</u>
Expenditures:				
General government	984,436	984,436	965,177	19,259
Human services	5,310,178	5,310,178	5,105,494	204,684
Capital outlay	5,000	5,000	4,346	654
Total expenditures	<u>6,299,614</u>	<u>6,299,614</u>	<u>6,075,017</u>	<u>224,597</u>
Net change in fund balance	(268,446)	(268,446)	104,521	372,967
Fund balances, October 1, 2012	<u>5,194,381</u>	<u>5,194,381</u>	<u>5,194,381</u>	<u>-</u>
Fund balances, September 30, 2013	<u><u>\$ 4,925,935</u></u>	<u><u>\$ 4,925,935</u></u>	<u><u>\$ 5,298,902</u></u>	<u><u>\$ 372,967</u></u>

See independent auditor's report.

# CHILDREN'S SERVICES COUNCIL OF MARTIN COUNTY

## NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2013

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### NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary integration is employed as a management control device for the general fund. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) In May, the Executive Director submits to the Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed program expenditures and the means of financing them.
- (b) On or before July 1, the Council must prepare, adopt and deliver a written budget of expected income and expenditures to the Board of County Commissioners.
- (c) On or about July 1, the Property Appraiser for Martin County, Florida certifies the taxable value of property within the jurisdiction of the Council.
- (d) In August, the Council advises the Property Appraiser of the proposed millage rate which by Florida Statute is limited to one-half mill.
- (e) Public hearings are conducted to obtain taxpayer comments.
- (f) After notification of the final tax roll as determined by the Property Appraiser, the Council may administratively adjust its adopted millage of the taxable value if the roll is at variance by more than 3% with the value certified on July 1.
- (g) On or about October 1, the budget is legally enacted through the passage of a resolution.

The reported budgetary data represents the original and the final amended budgets as approved by the Council. The level of control at which expenditures may not legally exceed the budget is at the function level.

## **REQUIRED REPORTS**



PROCTOR, CROOK,  
CROWDER & FOGAL

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES  
AUDIT, TAXATION & BUSINESS ADVISORS

**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**

Council Members  
Children's Services Council of Martin County  
Stuart, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities and the single major fund of Children's Services Council of Martin County, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Children's Services Council of Martin County's basic financial statements, and have issued our report thereon dated February 24, 2014.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered Children's Services Council of Martin County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Services Council of Martin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Children's Services Council of Martin County's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

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DIVISION FOR CPA FIRMS  
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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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Council Members  
Children's Services Council of Martin County

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Children's Services Council of Martin County's financial statements are free from 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*.

#### PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Proctor, Crook, Crowder & Fogal, P.A.

33 S.W. Flagler Avenue  
Stuart, Florida  
February 24, 2014



**PROCTOR, CROOK,  
CROWDER & FOGAL**

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES  
AUDIT, TAXATION & BUSINESS ADVISORS

**MANAGEMENT LETTER IN ACCORDANCE WITH THE  
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Council Members  
Children's Services Council of Martin County  
Stuart, Florida

We have audited the financial statements of Children's Services Council of Martin County (the Council) as of and for the year ended September 30, 2013, and have issued our report thereon dated February 24, 2014.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated February 24, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

1. Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.
2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Children's Service Council of Martin County complied with Section 218.415, Florida Statutes.

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Council Members  
Children's Services Council of Martin County

3. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendation:

2013 – 001:

Criteria: A disaster recovery plan should be reviewed, updated, and tested periodically. This will allow management to assess whether the plan has any design flaws and whether it is still appropriate.

Condition: Although a disaster recovery plan was developed several years ago, it has not been reviewed, updated, or tested since then, including since the relocation to a newly constructed facility in March 2012.

Cause: The cost of reviewing, updating, and testing the disaster recovery plan since the inception of the construction of the new facility seemed to outweigh the benefit.

Effect: An approved current disaster recovery plan can help avoid severe impairment of the Organization's operations in the event of a local disaster.

Recommendation: Since the construction of the new facility is complete and the Organization has operated in the new facility for at least one operating cycle, we recommend that management review, update, and test the disaster recovery plan and submit it to those charged with governance for approval.

Response: Prior to the start of the audit, management made a commitment to those charged with governance to review, update, and test the disaster recovery plan. Management believes it now has sufficient information about the newly constructed facility in which it operates to review and update the existing disaster recovery plan and create a plan that will address the risks of its current operating environment. Management expects to submit the updated disaster recovery plan prior to the end of fiscal year 2014.

4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
5. Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Children's Services Council of Martin County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
6. Section 10.554 (1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Children's Services Council of Martin County for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.

Council Members  
Children's Services Council of Martin County

7. Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Children's Services Council of Martin County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Proctor, Crook, Crowder & Fogal, P.A.

33 S.W. Flagler Avenue  
Stuart, Florida  
February 24, 2014

