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August 20, 2009

Board of Directors
Ripley County Family Services, Inc.
202 Gaslight Drive
Versailles, IN 47042

We have reviewed the audit report prepared by Larry E. Nunn & Associates, CPAs, LLC, Independent Public Accountants, for the period October 1, 2006 to September 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Ripley County Family Services, Inc., as of September 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

RIPLEY COUNTY FAMILY SERVICES, INC.

FINANCIAL STATEMENTS

September 30, 2007 and 2006

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Larry E. Nunn & Associates
Certified Public Accountants, L.L.C.

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Board of Directors
Ripley County Family Services, Inc.
Versailles, Indiana

From Vision to Solution

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Ripley County Family Services, Inc., as of September 30, 2007 and 2006 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ripley County Family Services, Inc. as of September 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2007, on our consideration of Ripley County Family Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting information included in the report is presented for the purposes of additional analysis and are not a required part of the basic financial statements of the Project. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Larry E. Nunn & Associates, LLC

Columbus, Indiana
February 24, 2008

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RIPLEY COUNTY FAMILY SERVICES, INC.
 STATEMENTS OF FINANCIAL POSITION
September 30, 2007 and 2006

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
Current assets		
Cash and cash equivalents	\$ 146,252	\$ 235,991
Cash held for others	9,217	10,685
Accounts receivable	112,933	97,432
Prepaid expense	<u>11,103</u>	<u>19,496</u>
Total current assets	<u>279,505</u>	<u>363,604</u>
Property and equipment		
Land	39,000	39,000
Land improvements	39,404	39,404
Building	556,579	556,579
Furniture and equipment	<u>91,640</u>	<u>84,783</u>
Total cost	726,623	719,766
Accumulated depreciation	<u>(166,164)</u>	<u>(136,607)</u>
Net property and equipment	<u>560,459</u>	<u>583,159</u>
Total assets	<u>\$ 839,964</u>	<u>\$ 946,763</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 19,175	\$ 17,854
Accrued and withheld payroll	12	62
Liabilities held for others	9,217	10,685
Accrued expenses	<u>71,987</u>	<u>77,219</u>
Total current liabilities	<u>100,391</u>	<u>105,820</u>
Net assets		
Unrestricted net assets	734,017	822,654
Temporarily restricted net assets	<u>5,556</u>	<u>18,289</u>
Total net assets	<u>739,573</u>	<u>840,943</u>
Total liabilities and net assets	<u>\$ 839,964</u>	<u>\$ 946,763</u>

See accompanying notes and independent auditor's report.

RIPLEY COUNTY FAMILY SERVICES, INC.
 STATEMENTS OF ACTIVITIES
 For the Year Ended September 30, 2007

	2007		
	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Indiana Family and Social Services Administration:			
Healthy Families	\$ 1,007,086	\$ -	\$ 1,007,086
Indiana State Department of Health			
Start Healthy	114,769	-	114,769
P Supplement	58,190	-	58,190
Contributions	11,407	2,936	14,343
Medicaid	457	-	457
Interest	116	-	116
Grants	72,788	-	72,788
Rental income	5,078	-	5,078
Gain (loss) on disposal of assets	-	-	-
Net assets released from restrictions	15,669	(15,669)	-
Total support and revenue	<u>1,285,560</u>	<u>(12,733)</u>	<u>1,272,827</u>
Expenses			
Program service expenses	1,240,613	-	1,240,613
General and administrative	133,584	-	133,584
Total expenses	<u>1,374,197</u>	<u>-</u>	<u>1,374,197</u>
Change in net assets	(88,637)	(12,733)	(101,370)
Net assets, beginning of the year	<u>822,654</u>	<u>18,289</u>	<u>840,943</u>
Net assets, end of the year	<u>\$ 734,017</u>	<u>\$ 5,556</u>	<u>\$ 739,573</u>

See accompanying notes and independent auditor's report.

RIPLEY COUNTY FAMILY SERVICES, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2006

	2006		
	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Indiana Family and Social Services Administration:			
Healthy Families	\$ 1,109,136	\$ -	\$ 1,109,136
Indiana State Department of Health			
Start Healthy	117,441	-	117,441
P Supplement	54,789	-	54,789
Contributions	50,699	650	51,349
Medicaid	954	-	954
Interest	158	-	158
Grants	44,297	-	44,297
Rental income	5,078	-	5,078
Gain (loss) on disposal of assets	-	-	-
Net assets released from restrictions	38,833	(38,833)	-
Total support and revenue	<u>1,421,385</u>	<u>(38,183)</u>	<u>1,383,202</u>
Expenses			
Program service expenses	1,286,094	-	1,286,094
General and administrative	130,890	-	130,890
Total expenses	<u>1,416,984</u>	<u>-</u>	<u>1,416,984</u>
Change in net assets	4,401	(38,183)	(33,782)
Net assets, beginning of the year	<u>818,253</u>	<u>56,472</u>	<u>874,725</u>
Net assets, end of the year	<u>\$ 822,654</u>	<u>\$ 18,289</u>	<u>\$ 840,943</u>

See accompanying notes and independent auditor's report.

RIPLEY COUNTY FAMILY SERVICES, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Year Ended September 30, 2007

	2007		
	Program Service	Management and General	Total
Salaries and wages	\$ 841,451	\$ 42,728	\$ 884,179
Payroll taxes and benefits	118,673	-	118,673
Group insurance	50,560	-	50,560
Worker's compensation	8,542	-	8,542
Other benefits	3,265	-	3,265
Travel	91,259	1,522	92,781
Telephone	21,238	-	21,238
Utilities	5,771	-	5,771
Rent	47,346	-	47,346
Maintenance and repairs	1,869	-	1,869
Supplies	22,775	7,351	30,126
Contract services	6,146	43,201	49,347
Insurance	5,579	1,845	7,424
Training and workshops	3,346	-	3,346
Depreciation	-	27,437	27,437
Property taxes	(25)	-	(25)
Client activities	10,607	-	10,607
Miscellaneous	2,211	9,500	11,711
Total expenses	<u>\$ 1,240,613</u>	<u>\$ 133,584</u>	<u>\$ 1,374,197</u>

See accompanying notes and independent auditor's report.

RIPLEY COUNTY FAMILY SERVICES, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Year Ended September 30, 2006

	2006		
	Program Service	Management and General	Total
Salaries and wages	\$ 851,841	\$ 55,550	\$ 907,391
Payroll taxes and benefits	106,024	6,914	112,938
Group insurance	65,106	15,433	80,539
Worker's compensation	5,916	-	5,916
Other benefits	7,317	-	7,317
Travel	83,524	4,711	88,235
Telephone	19,469	3,436	22,905
Utilities	7,488	-	7,488
Rent	47,346	-	47,346
Maintenance and repairs	5,509	-	5,509
Supplies	25,210	3,456	28,666
Contract services	7,084	35,646	42,730
Insurance	6,560	1,850	8,410
Training and workshops	6,551	-	6,551
Depreciation	24,818	1,861	26,679
Property taxes	288	-	288
Client activities	15,388	-	15,388
Miscellaneous	655	2,033	2,688
Total expenses	<u>\$ 1,286,094</u>	<u>\$ 130,890</u>	<u>\$ 1,416,984</u>

See accompanying notes and independent auditor's report.

RIPLEY COUNTY FAMILY SERVICES, INC.
 STATEMENTS OF CASH FLOWS
 For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ (101,370)	\$ (33,782)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	27,437	26,679
(Gain) loss on disposal of equipment	-	-
(Increase) decrease in assets	-	-
Cash held for others	1,468	(10,392)
Accounts receivable	(15,501)	22,425
Prepaid expenses	8,393	(7,128)
Increase (decrease) in liabilities	-	-
Accounts payable	1,321	4,002
Liabilities held for others	(1,468)	10,392
Accrued expenses	(5,282)	5,420
Net cash provided by (used in) operations	<u>(85,002)</u>	<u>17,616</u>
Cash Flows From Investing Activities		
Purchases of fixed assets	<u>(4,737)</u>	<u>(26,969)</u>
Net cash provided by (used in) investing activities	<u>(4,737)</u>	<u>(26,969)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(89,739)	(9,353)
Cash and Cash Equivalents, beginning of year	<u>235,991</u>	<u>245,344</u>
Cash and Cash Equivalents, end of year	<u>\$ 146,252</u>	<u>\$ 235,991</u>
Supplementary Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

RIPLEY COUNTY FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Note 1 - NATURE OF OPERATIONS

Ripley County Family Services, Inc. (the Agency) began its operation in 1983. The Agency is operated exclusively for health and welfare of expectant mothers, families, and children with special health care needs through educational and preventive means. The Agency currently provides services to the following six counties in Southeastern Indiana-Dearborn, Franklin, Jennings, Ohio, Ripley and Switzerland counties. The Agency operates the Start Healthy Program and the Healthy Families Program in these counties and receives reimbursements from the State of Indiana through the Family and Social Services Administration (FSSA).

The Start Healthy Program is a combination of two services-Prenatal Care Services and Family Care Services. The Prenatal Care Service program is designed to ensure all at-risk pregnant women have access to care and service. Family Care Services is designed to assist at-risk families in making responsible health care choices. Through these services the Agency assigns a care coordinator to visit once a month and refers women and families to community resources. The goal of these services is to reduce the infant mortality and low birth weight rates in the counties that the Agency provides its services.

The Healthy Families Program is designed to create healthy families and provide assistance where needed. This project has been established to implement a child abuse prevention program that provides intensive early intervention services to families through a voluntary participation in home visitor services with family support workers.

The P Supplement Program uses funds to provide prenatal substance use prevention, intervention, referral and follow-up services to pregnant women residing in Ripley County, Indiana.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting -

All accounting records are maintained on the accrual method in which revenues and expenses are recorded as earned or incurred.

Restricted Donations -

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable -

The Agency carries its accounts receivable at cost. They represent amounts due from government agencies for services provided in months prior to year end. There is no allowance for uncollectible accounts, as historically amounts billed to the state have been collected in their entirety.

RIPLEY COUNTY FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses -

Functional expenses have been allocated between Program Services and General and Management Services based on an analysis of personnel time and space utilized for the related activities.

Property and equipment -

Property and equipment is recorded at cost in the year of purchase, and at fair market value for donated assets and depreciated using the straight-line method over estimated useful lives. All acquisitions of property and equipment and all expenditures for repairs and maintenance that materially prolong the useful lives of assets are capitalized. The estimated useful lives of the assets are as follows:

Land Improvements	15 years
Building	40 years
Furniture and equipment	5-7 years

Donated Assets and Services -

Donations of non-cash items are recorded as contributions at their estimated fair value at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time. However, if the restrictions expire in the fiscal year in which the contributions are received, the contributions are reported as unrestricted support in the year received.

Donated services are recognized if the services create or enhance non-financial assets or require specialized skills, performed by persons with those skills that would otherwise be purchased by the Agency. Volunteers also donate their time and perform a variety of tasks throughout the year that assist the Agency with specific programs and various committee assignments that are not recognized as contributions in the financial statements.

Income Taxes -

The Agency is a not-for-profit corporation approved under Section 501 (c) (3) of the Internal Revenue Code and is, therefore, not liable for income taxes, except for unrelated business income.

RIPLEY COUNTY FAMILY SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Cash Flows -

For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates -

The presentation 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - CONTINGENCIES/STATE CONTRACTS

The Agency is substantially funded by grants and contracts awarded directly and indirectly by the Federal government and the State of Indiana. The majority of the agreements contain provisions which permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate any or adequate funds to maintain the current funding levels. Any excess funds on hand at the termination date would be subject to refund if such funds exceeded the accrued expenditures allowable under the grants and contracts at that date. Amounts received from state sources and included in income in 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Healthy Families	\$ 1,007,086	\$ 1,109,136
Start Healthy	114,769	117,441
P Supplement	<u>58,190</u>	<u>54,789</u>
Total funding	<u>\$ 1,180,045</u>	<u>\$ 1,281,366</u>

The Healthy Families funds were received from the Indiana Family and Social Services Administration, Department of Child Services. It is a pass through of Temporary Assistance for Needy Families as administered by the U.S. Department of Health and Human Services (CFDA 93.558). The Federal portion of these funds is 84%. The contract period runs from September 1 to August 31. Contract amounts available for the years ended September 30, 2007 and 2006 are as follows:

September 1, 2005 to August 31, 2006	\$1,172,793
September 1, 2006 to August 31, 2007	\$1,172,793
September 1, 2007 to August 31, 2008	\$1,172,793

RIPLEY COUNTY FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Note 3 - CONTINGENCIES/STATE CONTRACTS (continued)

Amounts billed on the contract for the year ended August 31, 2007 and 2006 totaled \$1,007,086 and \$1,108,072, respectively, of which \$920,316 and \$1,024,240 was recognized in the current year. All amounts have been billed and collected on these contracts. Amounts billed on the contract for the month of September 2007 and 2006 totaled \$86,770 and \$84,896, and is included in accounts receivable at year end. The current contract expires August 31, 2008. The Agency receives reimbursement of \$394 per person for an initial assessment of the family and \$410 per person per month for continuing service for the family. The families must meet certain guidelines in order to be eligible for the program.

The Agency receives funds from the Indiana State Department of Health to administer its Start Healthy program. The total contract is \$118,480 and runs from October 1, 2006 to September 30, 2007. This grant is to be used to provide family care coordination and prenatal care coordination services to low income and underserved maternal and child health populations in Ripley County, Indiana. These funds are a pass through of Maternal and Child Health Services Block Grant to the States, CFDA Number 93.994 as awarded by the U.S. Department of Health and Human Services. Amounts recognized during the years ended September 30, 2007 and 2006 totaled \$114,769 and \$117,441, respectively. Amounts billed and included in accounts receivable at September 30, 2007 and 2006 totaled \$5,648 and \$5,937, respectively. This contract was renewed for the period October 1, 2007 through September 30, 2008 and totals \$118,480.

The Agency entered into a contract with the Indiana State Department of Health from the State of Indiana's Tobacco Prenatal Substance Use and Prevention Fund (P Supplement) of up to \$55,000. This grant runs from October 1, 2006 through September 30, 2007. These funds are to be used to provide prenatal substance use prevention, intervention, referral and follow-up services to pregnant women residing in Ripley County, Indiana. Amounts billed under the current contract running were \$55,000. Amounts recognized for the years ended September 30, 2007 and 2006 were \$58,190 and \$54,789, respectively. Amounts included in accounts receivable at September 30, 2007 and 2006 totaled \$11,361 and \$-0-.

The Agency entered into a contract with the Franklin County Tobacco Prevention Council to provide support for a P Supplement program in the county. This contract runs from June 1, 2005 and expired May 31, 2006. It was renewed through May 31, 2007. The Council will reimburse the Agency a base amount for payroll costs plus fringe benefits for staff providing services in the county. Total amounts billed under this contract were \$1,500 and \$4,669 for the years ended September 30, 2007 and 2006 and is included in other grants.

RIPLEY COUNTY FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Note 4 - TEMPORARILY RESTRICTED NET ASSETS

In February 2006, the Agency received \$40,000 from a local foundation toward the renovation of a new portion of the facility. This part of the facility is currently being leased from an unrelated party as described in Note 5. These funds will be recognized over the life of the lease, starting March 1, 2006. Amounts transferred to unrestricted net assets for the years ended September 30, 2007 and 2006 totaled \$13,333 and \$13,333. The remaining amounts included in temporarily restricted net assets at September 30, 2007 and 2006 total \$5,556 and \$18,889, respectively.

Note 5 - COMMITMENTS

The leases certain facilities under the terms of non-cancelable lease agreements that are accounted for as operating leases. Rent expense for facilities totaled \$47,346 and \$47,346 for the years ended September 30, 2007 and 2006.

The Agency has entered into a contract to lease additional facilities with an option to purchase the facilities at a specified time. The total cost of the additional facilities is \$165,000. The Agency will pay \$3,946 per month until March 2008. Total rent paid under this agreement for the year ended September 30, 2007 and 2006 was \$47,346 and \$47,346.

The Agency leases part of its facility to an unrelated party for \$423 per month. This contract expires July 2007. Total received for the years ended September 30, 2007 and 2006, included in rental income was \$5,078 and \$5,078, respectively.

The future lease commitments as of September 30, 2007 are as follows:

Year ended September 31, 2008	\$ 23,673
Total	<u>\$ 23,673</u>

RIPLEY COUNTY FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Note 6 - CONCENTRATION OF CREDIT RISK

The Agency receives a significant amount of funding from agencies of the State of Indiana. The majority of these contracts are with the Indiana Family and Social Services Administration, the loss of which could have a materially adverse effect on the Agency. During the years ended September 30, 2007 and 2006, these funds accounted for \$1,180,045 and \$1,281,366, or approximately 93% and 93% of the total support and revenue. As indicated in Note 3, the contract for the Healthy Families program has been renewed through August 31, 2008.

The Agency maintained deposits in one financial institution that periodically exceeded the FDIC limit during the year. As of September 30, 2007 and 2006, funds in excess of FDIC limit totaled approximately \$41,000 and \$152,000, respectively.

Note 7 - RELATED PARTY TRANSACTIONS

For the years ended September 30, 2007 and 2006, the Agency paid \$6,400 and \$6,400 to an individual related to the executive director for janitorial services.

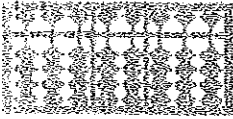
Note 8 - RETIREMENT PLANS

During the year ended September 30, 2005, the Agency set up an employee benefit plan, where the employee could elect company paid benefits for life insurance, disability insurance, or a contribution to a 403 (b) plan. All employees who have met age and experience requirements are eligible for this plan. In addition, the employee may elect to defer a portion of wages to the 403 (b) plan. Amounts paid on behalf of participating employees totaled \$44,679 and \$35,915 for the years ended September 30, 2007 and 2006.

Note 9 - HELPING HANDS LIABILITY

The Agency is acting as fiscal agent for the Helping Hands program. Helping Hands has received grant money to be used for benevolence and other Helping Hands expenses. Amounts received for the years ended September 30, 2007 and 2006 on behalf of Helping Hands totaled \$-0- and \$14,976. Expenses for the years ended September 30, 2007 and 2006 totaled \$1,468 and \$4,606. Cash being held for the Helping Hands program as of September 30, 2007 and 2006 totaled \$9,217 and \$10,685, respectively. A corresponding liability has been set up for the amounts held on behalf of Helping Hands.

Larry E. Nunn & Associates
Certified Public Accountants, L.L.C.



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Member AICPA's Center for Public Company Audit Firms
Member AICPA's Governmental Audit Quality Center
Member AICPA's Employee Benefit Plan Audit Quality Center
Member Indiana CPA Society

From Vision to Solution

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Board of Directors
Ripley County Family Services, Inc.

We have audited the financial statements of Ripley County Family Services, Inc. as of and for the year ended September 30, 2007 and have issued our report thereon dated February 24, 2008. 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.

Compliance

As part of obtaining reasonable assurance about whether Ripley County Family Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ripley County Family Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a significant control deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Columbus, Indiana
February 24, 2008

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From Vision to Solution
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To The Board of Directors
Ripley County Family Services, Inc.

Compliance

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

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

In our opinion, Ripley County Family Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Ripley County Family Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ripley County Family Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant control deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Henry E. Hines & Associates, LLC

Columbus, Indiana
February 24, 2008

INDEPENDENT AUDITOR'S REPORTS REQUIRED
UNDER SINGLE AUDIT ACT

RIPLEY COUNTY FAMILY SERVICES, INC.
 SCHEDULE OF FEDERAL EXPENDITURES
Year ended September 30, 2007

	CFDA Number	Expenditures
<u>Major Program</u>		
U.S. Department of Health and Human Services - pass through from Indiana Family and Social Services Administration, Division of Family and Children - Temporary and Needy Families		
Healthy Families Program - Federal portion	93.558	\$ 845,952
<u>Non-Major Programs</u>		
U.S. Department of Health and Human Services - pass through from Indiana State Department of Health - Maternal and Child Health Services Block Grant to the States		
Start Healthy Program	93.994	114,769
Indiana State Department of Health - Tobacco Prenatal Substance Use and Prevention Fund (P Supplement)	93.994	<u>58,190</u>
Total all Federal assistance		<u>\$ 1,018,911</u>
<u>Other Governmental Assistance</u>		
U.S. Department of Health and Human Services - pass through from Indiana Family and Social Services Administration, Division of Family and Children - Temporary and Needy Families		
Health Families Program - State portion	69-05-60-0464	<u>\$ 161,134</u>
Total assistance - all governmental sources		<u>\$ 1,180,045</u>

See independent auditor's report.

AUDITOR'S RESOLUTIONS ON PRIOR YEAR FINDINGS
MATTERS RELATING TO MAJOR PROGRAMS
Year ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNQUALIFIED

Internal Control over financial reporting:

No material weaknesses were identified

No significant control deficiencies were identified

No noncompliance material to the financial statements was noted

Federal Awards

Internal Control over major programs:

No material weaknesses were identified

No significant control deficiencies were identified

Type of auditor's report issued on compliance for

Major programs: UNQUALIFIED

No audit findings were disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133.

Identification of major programs:

CFDA Number 93.558 Temporary and Needy Families.

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

The auditee qualifies as a low-risk auditee.