DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY AUDITED FINANCIAL STATEMENTS JUNE 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Developmental Services of Franklin County

We have audited the accompanying financial statements of Developmental Services of Franklin County (DSFC) as of and for the years ended June 30, 2013 and 2012, and the related notes to the 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 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 DSFC'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 DSFC's internal control. Accordingly, we express no such opinion. An audit also 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DSFC, as of June 30, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants Member: Missouri Society of Certified Public Accountants

Other Matters

Required Supplemental Information

Management's Discussion and Analysis has been omitted. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of DSFC. The schedule of operating revenue and support, expenses, and change in net position - budget and actual and board of directors and officers are presented for the purpose of additional analysis and is not a required part of the financial statements.

The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Tochtrop & Associates, P.C.

Tockton & Association

Washington, Missouri

October 10, 2013

DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY STATEMENTS OF NET POSITION JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,601,121	2,219,040
Investments		650,000
Receivables:		
Accounts	555,109	649,304
Property taxes	100,263	111,148
Interest	_	5,567
Due from Franklin County Transportation Council	2,236	-
Prepaid expenses	81,815	82,244
Advances to clients	578	309
Deposits on leased property	2,777	2,777
TOTAL CURRENT ASSETS	3,343,899	3,720,389
NONCURRENT ASSETS		
Capital assets:		
Land	250,578	250,578
Other capital assets,		
net of accumulated depreciation:		
Group Home building	52,530	58,488
Group Home furnishings and equipment	53 , 506	63,339
Administration building	465,953	261,286
Leasehold improvements	1,980	2,150
Office furnishings and equipment	178,174	164,731
TOTAL NONCURENT ASSETS	1,002,721	800,572
TOTAL ASSETS	\$ 4,346,620	4,520,961

DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY STATEMENTS OF NET POSITION JUNE 30, 2013 AND 2012 Continued

LIABILITIES AND NET ASSETS

		2013	2012
CURRENT LIABILITIES			
Accounts payable	\$	260,607	218,860
Accrued payroll liabilities		125,766	116,422
Accrued retirement plan payable		545	1,203
Compensated absences - current portion		59,639	59,373
TOTAL CURRENT LIABILITIES		446,557	395,858
NONCURRENT LIABILITIES			
Compensated absences		19,879	19,791
TOTAL LIABILITIES		466,436	415,649
NET POSITION			
Invested in capital assets		1,002,721	800,572
Unrestricted		2,877,463	3,304,740
TOTAL NET POSITION		3,880,184	4,105,312
TOTAL LIABILITIES AND NET POSITION	\$ '	4,346,620	4,520,961

DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY STATEMENTS OF REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSTION FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUE AND SUPPORT		
Missouri Department of Social Services	\$ 3,064,703	2,849,968
Property taxes	1,754,977	1,746,869
Missouri Department of Mental Health	877,995	1,127,841
Missouri Department of Elementary and		
Secondary Education	159,462	197,478
Charges for services	23,291	23,291
Miscellaneous	8,759	25,991
Developmental Disabilities Resource Board	7,575	7,270
Consulting services	5,400	-
Community integration, net	851	915
Recreation, net	529	_
TOTAL OPERATING REVENUE AND SUPPORT	5,903,542	5,979,623
OPERATING EXPENSES		
Supported services	1,698,955	1,640,067
Agency funding	1,071,456	961,889
Administration	944,577	836,711
Supported services - administration	773,764	714,362
Service coordination	645,108	642,659
Residential - Sullivan house group home	376,000	375,734
Education and family support - early intervention	234,064	237,177
Behavioral support	225,931	82,384
Long range expenses	97,539	_
Family support - individual support	****	196,713
TOTAL OPERATING EXPENSES	6,067,394	5,687,696
INCOME (LOSS) FROM OPERATIONS	\$ (163,852)	291,927

DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY STATEMENTS OF REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSTION FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 Continued

		2013	2012
OTHER INCOME (EXPENSE)			
Interest income	\$	20,657	35,943
Rent - Highway 47 building		15,500	_
Insurance claims, net		161	8,240
American Recovery and Reinvestment Act Grant:			
Grant revenue		-	64,768
Grant expenses		(95,794)	(158,236)
Loss on retirement of capital assets		(1,800)	
TOTAL OTHER INCOME (EXPENSE)		(61,276)	(49, 285)
CHANGE IN NET POSTION		(225,128)	242,642
NET POSITION, JULY 1		1,105,312	3,862,670
NET POSITION, JUNE 30	\$ 3	3,880,184	4,105,312

DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from services provided	\$ 4,233,732	4,161,386
Receipts from property taxes	1,765,862	1,752,383
Miscellaneous receipts	8,759	25,991
Payments to or for the benefit of employees	(4,154,330)	(3,945,324)
Payments to agencies funded	(1,071,456)	(961,889)
Payments to suppliers and providers	(706, 169)	(789,680)
NET CASH PROVIDED BY OPERATING ACTIVITIES	76,398	242,867
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rent - Highway 47 building	15,500	_
Insurance claims, net	161	8,240
(Increase) decrease in due from:		
Franklin County Transportation Council	(2,236)	_
American Recovery and Reinvestment Act Grant:	. ,	
Revenue	_	64,768
Payments for agency expenses	(95,794)	(133,142)
Payments for operational expenses	_	(25,094)
NET CASH USED IN NONCAPITAL		
FINANCING ACTIVITIES	(82,369)	(85,228)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Purchase of capital assets:		
American Recovery and Reinvestment Act Grant	-	(6,827)
Other	(288,172)	(506, 367)
NET CASH USED IN CAPITAL AND RELATED		
FINANCING ACTIVITIES	(288,172)	(513, 194)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in certificates of deposit	650,000	1,975,000
Interest income	26,224	42,087
Incorose Income		
NET CASH PROVIDED BY INVESTING ACTIVITIES	676,224	2,017,087
CHANGE IN CASH AND CASH EQUIVALENTS	382,081	1,661,532
CASH AND CASH EQUIVALENTS, JULY 1	2,219,040	557,508
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 2,601,121	2,219,040

DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (Continued)

	<u> 2013</u>	2012
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income (loss) from operations	\$ (163,852)	291,927
Adjustments to reconcile income (loss) from		
operations to net cash provided by		
operating activities:		
Depreciation	84,223	69,143
(Increase) decrease in current assets:		
Accounts receivable	94,195	(46,026)
Property tax receivable	10,885	5,514
Prepaid expenses	429	(16,528)
Advances to clients	(269)	649
Increase (decrease) in current liabilities:		
Accounts payable	41,747	(28, 139)
Accrued payroll liabilities	9,344	26,975
Accrued retirement plan payable	(658)	(4,425)
Compensated absences	354	17,294
Deferred match to the Missouri Department of		
Mental Health Trust Fund	· <u>-</u>	(73,517)
	240,250	(49,060)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 76,398	242,867

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Developmental Services of Franklin County (DSFC) is a political subdivision formed under the "Senate Bill 40" legislation in Franklin County in 1987. Under this legislation, money generated through a county property tax is designated to provide services for persons with developmental disabilities. The significant accounting policies consistently applied by DSFC in the preparation of the accompanying financial statements are summarized below:

1. The Reporting Entity

In evaluating DSFC as a reporting entity, management has addressed all component units for which DFSC may or may not be financially accountable and, as such, be includable within DSFC's financial statements. In accordance with GASB Statement No. 14, DSFC (the primary government) is financially accountable if it appoints a voting majority of an entity's governing board and 1) it is able to impose its will on the entity or 2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on DSFC. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting organization's financial statements to be misleading or incomplete. DSFC does not have any component units.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of DSFC are maintained using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are received. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

DSFC includes all of its activities in one enterprise fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the governing body has decided that periodic determination of revenues and expenses is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued after December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues of DSFC are charges for services. Operating expenses include cost of services, administrative expenses, and depreciation on property and equipment. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is DSFC's policy to use restricted resources first, then unrestricted resources as they are needed.

3. Cash, Cash Equivalents, and Investments

For cash flow statement purposes, DSFC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires that all investments be reported in the financial statements at fair value. Fair value is established as readily determinable current market value for equity and debt securities. State statutes authorize DSFC to invest in obligations of U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements.

4. Capital Assets

Capital assets, which include land, group home building, furnishings, and equipment, leasehold improvements, and office furnishings and equipment, are stated at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is computed on the straight-line method using asset lives as follows in accordance with the Missouri Department of Mental Health's quidelines:

Assets	<u>Years</u>
Group home building	30
Group home furnishings and equipment	5 - 15
Leasehold improvements	15
Office furnishings and equipment	5 - 10

5. Receivables

In the opinion of management, all receivables are collectible in full; therefore no allowance for doubtful accounts is provided.

6. Compensated Absences

It is DSFC's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred. There is no liability for unpaid accumulated sick leave since DSFC does not have a policy to pay any amounts when employees separate from service.

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

7. Property Taxes

DSFC received a tax levy at June 30, 2013 and 2012 of \$.0939 and \$.0935, respectively, per \$100 of assessed value of Franklin County's real estate and personal property. The January 1, 2012 and 2011, assessed values were \$1,850,904,474 and \$1,827,956,631, respectively. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent January 1 of the following year.

8. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid expenses.

9. Budgets and Budgetary Accounting

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

- a. Prior to July 1, the proposed budget is submitted to the Board of Directors for the upcoming fiscal year. The budget includes proposed expenditures and the means of financing them.
- b. Prior to July 1, the budget is adopted by the Board of Directors.
- c. Unused appropriations lapse at the end of the year.
- d. The budget amounts shown in the financial statements are the original and final authorized amounts as revised during the year.
- e. The budget is adopted on a basis consistent with that used for the financial statements.

10. 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 the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

DSFC's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with DSFC or trustee institution. The value of the securities must amount to the total of DSFC's cash not insured by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2013, the carrying amount of DSFC's deposits was \$2,601,121 and the bank balance was \$2,647,586. Of the bank balance \$250,000 was insured by FDIC and \$2,397,586 was collateralized with securities held by the pledging financial institution in DSFC's name.

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

At June 30, 2012, the carrying amount of DSFC's deposits was \$2,869,040 and the bank balance was \$3,082,806. For balance sheet purposes \$650,000 of certificates of deposit are classified as investments due to their maturity dates. All certificates of deposit have a maturity date of one year or less. Of the bank balance \$250,000 was insured by FDIC and \$2,832,806 was collateralized with securities held by the pledging financial institution in DSFC's name.

NOTE C - CAPITAL ASSETS

Capital asset activity for June 30, 2013 was as follows:

	June 30 2012	Increases	Retirement Transfer	
Capital assets not being depreciated:				
Land	\$240,578			240,578
Group Home land	10,000		*** ***	10,000
Construction in progress	1,386		(1,386)	
Total capital assets not				
being depreciated	251,964		(1,386)	250,578
Capital assets being depreciated:				
Group Home building	178,724			178,724
Group Home furnishings & equipment	105,224	3,500		108,724
Building	262,051	217,531	1,386	480,968
Leasehold improvements	2,547			2,547
Office furnishings & equipment	289,885	67,141	(6,309)	350,717
Total capital assets				
being depreciated	838,431	288,172	(4,923)	1,121,680
Less accumulated depreciation for:				
Group Home building	(120,236)	(5,958)	***	(126,194)
Group Home furnishings & equipment	(41,885)	(13,333)		(55,218)
Building	(2,151)	(12,864)	***	(15,015)
Leasehold improvements	(397)	(170)	nor one	(567)
Office furnishings & equipment	(125,154)	(51,898)	4,509	(172,543)
Total accumulated depreciation	(289,823)	(84,223)	4,509	(369,537)
Total capital assets being depreciated, net	548,608	203,949	(414)	752,608
Total capital assets, net	\$ <u>800,572</u>	203,949	<u>(1,800</u>)	1,002,721

Depreciation expense was charged to functions/programs at June 30, 2013 as follows:

Administration	\$64,932
Residential - Sullivan House Group Home	19,291
Total depreciation expense	\$ <u>84,223</u>

NOTE C - CAPITAL ASSETS (Continued)

Capital asset activity for June 30, 2012 was as follows:

	June 30 <u>2011</u>	Increases	Decreases	June 30 2012
Capital assets not being depreciated: Land	\$	240,578		240,578
Group Home land	10,000	240,570		10,000
Construction in progress Total capital assets not		1,386		1,386
being depreciated	10,000	241,964		251,964
Capital assets being depreciated:				
Group Home building	178,724			178,724
Group Home furnishings & equipment	120,707	2,650	(18, 133)	105,224
Building		262,051	***	262,051
Leasehold improvements	2,547			2,547
Office furnishings & equipment Total capital assets	313,732	6,529	(<u>30,376</u>)	289,885
being depreciated	615,710	<u>271,230</u>	(48,509)	838,431
Less accumulated depreciation for:				
Group Home building	(114, 278)	(5,958)		(120, 236)
Group Home furnishings & equipment	(46,690)	(13,328)	18,133	(41,885)
Building		(2,151)		(2,151)
Leasehold improvements	(227)	(170)	*****	(397)
Office furnishings & equipment	(<u>107,994</u>)	<u>(47,536</u>)	<u>30,376</u>	(125, 154)
Total accumulated depreciation	(269,189)	(69,143)	48,509	(<u>289,823</u>)
Total capital assets being	246 501	000 007	,	F40 C0C
depreciated, net	346,521	<u>202,087</u>	()	548,608
Total capital assets, net	\$ <u>356,521</u>	444,051	()	800,572

Depreciation expense was charged to functions/programs at June 30, 2012 as follows:

Administration	\$49,857
Residential - Sullivan House Group Ho	me <u>19,286</u>
Total depreciation expense	\$69,143

NOTE D - MAJOR REVENUE SOURCES

DSFC receives a significant portion of its revenue from other governmental agencies including the Missouri Department of Social Services, Missouri Department of Mental Health, and Missouri Department of Elementary & Secondary Education. A listing of the major revenues by program is as follows:

	2013	2012
Supported living	\$2,155,231	2,143,930
Service coordination	1,091,500	1,029,220
Sullivan House group home	405,809	448,215
Early intervention	159,462	189,364
Rainbow Activity Center	90,257	107,603
Behavioral support	79,826	33,891
EMPAC Group, Inc.	56,118	
Sheltered Industries of Meramec Valley	45,620	95,135
Sheltered Workshop, Inc.	6,894	14,905
Special needs	56	586
Family support - individual support		90,869
	\$4,090,773	4,153,718

NOTE E - RETIREMENT PLAN

DSFC has a defined contribution retirement plan, which covers employees at least 21 years old. For the years 2011 and 2010 total wages amounted to \$2,931,185 and \$2,716,238 and eligible wages totaled \$2,817,577 and \$2,618,631 respectively. DSFC's contributions for the 2011 and 2010 plan years, which were paid during the 2013 and 2012 fiscal years amounted to \$205,183 and \$190,137 respectively. There is no liability for employer contributions since DSFC is not legally obligated to make contributions.

NOTE F - INTERGOVERNMENTAL AGREEMENT

DSFC has an agreement with the Division of Mental Retardation and Developmental Disabilities of the Department of Mental Health to fund or certify the State share of services it provides. Based on authorized amounts of services to be provided, DSFC's share of match was \$364,958 and \$395,151 for the fiscal years ending June 30, 2013 and 2012, respectively. The funds for this certified match must be from local funds and not from federal sources or donations. DSFC has sufficient local revenue to fund the certified match.

NOTE G - COMMITMENT

At June 30, 2013, DSFC committed to architectural and engineering fees for building improvements in the amount of \$164,000.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2013, the date which the financial statements were available for issue. No subsequent events were identified.

SUPPLEMENTAL INFORMATION

SCHEDULE OF OPERATING REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSITION BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
OPERATING REVENUE				
AND SUPPORT				
Missouri Department of				
Social Services	\$ 3,443,831	3,443,831	3,064,703	(379,128)
Property taxes	1,753,756	1,753,756	1,754,977	1,221
Missouri Department of				
Mental Health	871,217	871,217	877 , 995	6,778
Missouri Department of				
Elementary & Secondary				,
Education	190,000	190,000	159,462	(30,538)
Charges for services	23,291	23,291	23,291	-
Miscellaneous	_		8,759	8,759
Developmental Disabilities				
Resource Board	10,000	10,000	7,575	(2,425)
Consulting services	_	-	5,400	5,400
Community integration, net	_	-	851	851
Recreation, net	_		529	529
TOTAL OPERATING				
REVENUE AND SUPPORT	6,292,095	6,292,095	5,903,542	(388,553)
OPERATING EXPENSES				
SUPPORTED SERVICES				
Wages	1,365,899	1,365,899	1,253,739	(112, 160)
Employee benefits	191,064	191,064	172,898	(18,166)
Payroll taxes	104,491	104,491	91,703	(12,788)
Retirement	85,300	85,300	85,455	155
Mileage & meals	75,000	75,000	68,339	(6,661)
Unemployment claims	15,000	15,000	10,392	(4,608)
Transportation	8,302	8,302	5,568	(2,734)
Advertising	855	855	3,393	2,538
Special Olympics	_	-	2,700	2,700
Conferences & training	10,961	10,961	1,482	(9,479)
Record checks & physicals	950	950	1,364	414
Miscellaneous	1,200	1,200	1,224	24
Worker's compensation	1,700	1,700	503	(1, 197)
Books & dues	-	-	167	167
Telephone	-	_	28	28
Recreation	16,487	16,487		(16, 487)
Contingency	2,500	2,500	-	(2,500)
	\$ 1,879,709	1,879,709	1,698,955	(180,754)

DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY

SUPPLEMENTAL INFORMATION

SCHEDULE OF OPERATING REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSTION BUDGET AND ACTUAL

	Original	Final		Over (Under)
	Budget	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
OPERATING EXPENSES				
AGENCY FUNDING				
EMPAC Group, Inc.:				
Operations	\$ -	306,159	286,773	(19,386)
Franklin County Transportation				
Council, Inc.:		•		
Operations	250,000	250,000	196,563	(53,437)
Rainbow Activity Center:				
Local match	227,263	227,263	150,121	(77,142)
Sheltered Industries of				
the Meramec Valley, Inc.:				
Operations	208,335	93,213	100,758	7,545
Federal pass-through	46,973	46,973	49,297	2,324
Sheltered Workshop, Inc.:				
Operations	185,040	89,913	91,035	1,122
Federal pass-through	17,608	17,608	9,428	(8,180)
Gateway Center for the Arts	69,300	84,300	82,750	(1,550)
Exceptional Equestrians	39,840	39,840	39,840	-
Consumer services	140,641	140,641	31,511	(109,130)
Developmental Disabilities				
Resource Board	13,400	13,400	9,475	(3,925)
Gasconade County Special				
Services	8,000	8,000	6,938	(1,062)
River Bluff Industries	6,695	6,695	5,902	(793)
Outside provider match	-	_	3,839	3,839
OHCDS special needs	-	_	3,791	3,791
TEMCO, Inc.	2,387	2,387	3,435	1,048
Contingency	124,203	44,979	-	(44,979)
MERS/Goodwill	3,428	3,428	-	(3,428)
	\$ 1,343,113	1,374,799	1,071,456	(303,343)

SCHEDULE OF OPERATING REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSTION BUDGET AND ACTUAL

	riginal <u>Budget</u>	Final <u>Budget</u>	<u> Actual</u>	Over (Under) <u>Budget</u>
OPERATING EXPENSES				
ADMINISTRATION				
Wages	\$ 436,695	436,695	386,132	(50,563)
Employee benefits	113,376	113,376	130,047	16,671
Insurance - liability	86,167	86,167	94,587	8,420
Depreciation	33,467	33,467	64,932	31,465
Repairs & maintenance	63,175	38,175	52,326	14,151
Rent	45,676	45,676	45,198	(478)
Office supplies	16,000	16,000	27,206	11,206
Payroll taxes	33,407	33,407	25,277	(8,130)
Retirement	23,335	23,335	23,335	_
Professional fees	20,750	20,750	21,874	1,124
CARF Survey		_	14,720	14,720
Books & dues	9,400	9,400	12,240	2,840
Telephone	13,000	13,000	9,836	(3,164)
Utilities	6,778	6,778	6,580	(198)
Postage	7,725	7,725	6,545	(1,180)
Conferences & training	6,500	6,500	5,742	(758)
Mileage & meals	2,600	2,600	4,494	1,894
Insurance - property	3,200	3,200	4,269	1,069
Executive Director				
discretionary	3,000	3,000	3,723	723
Public awareness	3,520	3,520	3,084	(436)
Advertising	250	250	1,807	1,557
Miscellaneous	350	350	502	152
Record checks & physicals	30	30	121	91
Contingency	 4,000	4,000	-	(4,000)
	\$ 932,401	907,401	944,577	37,176

SCHEDULE OF OPERATING REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSTION BUDGET AND ACTUAL

	C	riginal	Final		Over (Under)
		Budget	Budget	<u>Actual</u>	Budget
OPERATING EXPENSES		_	_		
SUPPORTED SERVICES-					
ADMINISTRATION					
Wages	\$	535,208	535,208	556,801	21,593
Employee benefits		95,054	95,054	90,936	(4,118)
Payroll taxes		40,943	40,943	44,298	3,355
Retirement		32,875	32,875	32,875	_
Mileage & meals		25,800	25,800	26,348	548
Staff training		2,000	2,000	12,340	10,340
Unemployment claims		_	_	5,330	5,330
Conferences & training		4,350	4,350	2,410	(1,940)
Books & dues		1,500	1,500	2,135	635
Record checks & physicals		150	150	291	141
Contingency		3,500	3,500	_	(3,500)
Educational supplies		500	500		(500)
		741,880	741,880	773,764	31,884
SERVICE COORDINATION					
Wages		424,935	424,935	454,081	29,146
Employee benefits		68,616	68,616	56,019	(12,597)
Payroll taxes		32,508	32,508	34,069	1,561
Retirement		31,280	31,280	31,279	(1)
Rent		29,236	29,236	29,504	268
Mileage & meals		21,000	21,000	17,415	(3,585)
Telephone		11,340	11,340	10,332	(1,008)
Conferences & training		9,136	9,136	4,768	(4,368)
Repairs & maintenance		3,305	3,305	2,595	(710)
Utilities		2,345	2,345	2,002	(343)
Advertising		500	500	1,282	782
Worker's compensation		_	-	870	870
Books & dues		850	850	440	(410)
Miscellaneous		_	_	282	282
Record checks & physicals		36	36	170	134
Unemployment claims		5,000	5,000	-	(5,000)
Contingency		3,000	3,000		(3,000)
	\$	643,087	643,087	645,108	2,021

SCHEDULE OF OPERATING REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSITION BUDGET AND ACTUAL

	Original	Final		Over (Under)
	Budget	Budget	<u>Actual</u>	Budget
OPERATING EXPENSES				
RESIDENTIAL-SULLIVAN				
HOUSE GROUP HOME				
Wages	\$ 244,400	244,400	245,828	1,428
Employee benefits	20,330	20,330	27,583	7,253
Depreciation	9,947	9,947	19,291	9,344
Payroll taxes	18,697	18,697	18,607	(90)
Retirement	15,847	15,847	15,847	_
Food	14,500	14,500	14,812	312
Utilities	7,845	7,845	8,030	185
Supplies	3,032	3,032	4,507	1,475
Repairs & maintenance	14,796	14,796	4,471	(10,325)
Mileage & meals	3,800	3,800	3,978	178
Transportation	3,422	3,422	3,595	173
Telephone	2,994	2,994	2,946	(48)
Insurance - property	1,250	1,250	1,644	394
Cable subscriptions	_	-	1,244	1,244
Worker's compensation	575	575	826	251
Miscellaneous	424	424	719	295
Office supplies	473	473	713	240
Recreation	400	400	421	21
Advertising	450	450	250	(200)
Record checks & physicals	210	210	240	30
Unemployment claims	5,000	5,000	220	(4,780)
Conferences & training	2,000	2,000	188	(1,812)
Postage	55	55	40	(15)
Contingency	1,500	1,500		(1,500)
	\$ 371,947	371,947	376,000	4,053

SCHEDULE OF OPERATING REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSTION BUDGET AND ACTUAL

	c	riginal <u>Budget</u>	Final <u>Budget</u>	<u> Actual</u>	Over (Under) <u>Budget</u>
OPERATING EXPENSES			_		
EDUCATION AND FAMILY					
SUPPORT-EARLY INTERVENTION					
Wages	\$	171,804	171,804	159,541	(12,263)
Employee benefits		22,618	22,618	20,743	(1,875)
Mileage & meals		19,000	19,000	15,112	(3,888)
Therapy services		10,000	10,000	13,434	3,434
Payroll taxes		13,143	13,143	12,192	(951)
Retirement		11,542	11,542	11,542	-
Therapy supplies		3,000	3,000	713	(2,287)
Conferences & training		2,700	2,700	634	(2,066)
Books & dues		200	200	61	(139)
Record checks & physicals		200	200	47	(153)
Miscellaneous		-	_	45	45
Contingency		1,500	1,500	-	(1,500)
Advertising		200	200		(200)
		255,907	255,907	234,064	(21,843)
BEHAVIORAL SUPPORT					
Wages		137,196	137,196	145,788	8,592
Employee benefits		18,482	18,482	21,570	3,088
Educational supplies		12,000	12,000	12,846	846
Payroll taxes		10,496	10,496	10,180	(316)
Rent		9,300	9,300	7,750	(1,550)
Vehicle expense		11,900	11,900	7,102	(4,798)
Retirement		5,005	5,005	5,005	_
Repairs & maintenance		4,500	4,500	4,877	377
Utilities		12,000	12,000	3,721	(8,279)
Mileage & meals		2,000	2,000	2,138	138
Supplies		3,600	3,600	2,094	(1,506)
Telephone		_	_	1,930	1,930
Conferences & training		1,500	1,500	772	(728)
Record checks & physicals		_	_	158	158
Contingency		2,000	2,000	_	(2,000)
Advertising		300	300		(300)
	\$	230,279	230,279	225,931	(4,348)

SCHEDULE OF OPERATING REVENUE AND SUPPORT, EXPENSES, AND CHANGE IN NET POSITION BUDGET AND ACTUAL

		Original	Final		Over
		<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	Budget
OPERATING EXPENSES					
LONG RANGE EXPENSES					
EMPAC Group, Inc.:	٨	FO 000	70 212	10 212	
Support employement	\$	50,000	18,313	18,313	- (0.250)
Merger		9,352	23,365	14,013	(9,352)
Equipment		-	11,500	11,500	(16 405)
Move		25,000	25,000	8,505	(16,495)
Quality coach training		13,150	19,363	21,501	2,138
Exceptional Equestrians		17,369	17,369	16,994	(375)
Dental services		15,000	15,000	6,416	(8,584)
Executive Director		F 000	F 000	0.07	/4 502)
discretionary		5,000	5,000	297	(4,703)
Other		492,671	355,545	-	(355,545)
Capital purchases		200,456	330,856		(330,856)
		827,998	821,311	97,539	(723,772)
TOTAL OPERATING EXPENSES		7,226,321	7,226,320	6,067,394	(1,158,926)
INCOME (LOSS) FROM					
OPERATIONS		(934,226)	(934,225)	(163,852)	770,373
OTHER INCOME (EXPENSE)					
Interest income		36,598	36,598	20,657	(15,941)
Rent - Highway 47 building		18,600	18,600	15,500	(3,100)
Insurance claims, net		7,616	7,616	161	(7,455)
American Recovery and Reinvestment Act Grant Expenses:		,	·		
Exceptional Equestrians		(65,686)	(65,686)	(62,266)	3,420
EMPAC Group, Inc.		(34,834)	(34,834)	(33,528)	1,306
Loss on retirement of					
property and equipment		-	•	(1,800)	(1,800)
TOTAL OTHER INCOME					
(EXPENSE)		(37,706)	(37,706)	(61,276)	(23,570)
CHANGE IN NET POSITION	\$	(971,932)	(971,931)	(225,128)	746,803

DEVELOPMENTAL SERVICES OF FRANKLIN COUNTY SUPPLEMENTAL INFORMATION BOARD OF DIRECTORS AND OFFICERS FOR THE YEAR ENDED JUNE 30, 2013

Name	Position	Term Expires July
Robert Engemann	Vice-Chair	2016
Linda Sentivany	Director	2016
Dixie Van Leer	Director	2016
Walter Murray, Jr.	Secretary	2015
David Whitlock	Chair	2015
Donald Cognata	Treasurer	2014
Julie Conner	Director	2014
Ken Schriewer	Director	2014
Chris Schull	Director	2014
Ronald E. Kruse	Executive Director	Appointed
Darleen Hainline	Associate Director	Appointed

2 Wainwright/Suite 200 P.O. Box 1578 Washington, MO 63090 Telephone (636) 239-6400 Fax (636) 239-9992

October 10, 2013

Board of Directors Developmental Services of Franklin County

Ladies and Gentlemen:

We have audited the financial statements of Developmental Services of Franklin County (DSFC) for the years ended June 30, 2013 and 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audits. We have communicated such information in our letter dated May 29, 2013. Professional standards also require that we communicate to you the following information related to your audits:

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by DSFC are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2013. We noted no transactions entered into by DSFC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation expense is based on the straight-line method. We evaluated the key factors and assumptions used to develop the depreciation expense estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Developmental Services of Franklin County Page 2 of 3 October 10, 2013

Difficulties Encountered During the Audit

We encountered no difficulties in dealing with management in performing and completing our audits.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements were detected as a result of audit procedures and were corrected by management:

•	Reclass prepaid expenses posted to accounts payable	\$ 44,175
•	Reclass match payable posted to accounts payable	32,974
•	Correct Franklin County Transportation Council's	
	operations and match	19,211
•	Reclass office supplies posted to property and equipment	11,133

Disagreements with Management

For the purposes of this letter, a disagreement with management is a financial, accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2013.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to DSFC's financial statements or a determination of a type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings and Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as

Developmental Services of Franklin County Page 3 of 3 October 10, 2013

DSFC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplemental information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audits of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of DSFC and is not intended and should not be used by anyone other than these specified parties.

Very truly yours,

Tochtop & Associates, P.C.