



**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2018-2017

**KNOX COUNTY FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY
JUNE 30, 2018 AND JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Family and Children First Council
Knox County
300 North Mulberry Street
Mount Vernon, Ohio 43050

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Family and Children First Council, Knox County, Ohio (the Council) as of and for the years ended June 30, 2018 and June 30, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Council does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2018 and June 30, 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Family and Children First Council, Knox County as of June 30, 2018 and June 30, 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

May 30, 2019

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Intergovernmental | \$ 323,142 | \$ 78,316 | \$ 401,458 |
| Charges for Services-Annual dues | 13,150 | - | 13,150 |
| Earnings on Investments | 7 | - | 7 |
| | <u>336,299</u> | <u>78,316</u> | <u>414,615</u> |
| Total Cash Receipts | | | |
| | <u>336,299</u> | <u>78,316</u> | <u>414,615</u> |
| Cash Disbursements: | | | |
| Purchased Services | <u>105,331</u> | <u>67,518</u> | <u>172,849</u> |
| | <u>105,331</u> | <u>67,518</u> | <u>172,849</u> |
| Total Cash Disbursements | | | |
| | <u>105,331</u> | <u>67,518</u> | <u>172,849</u> |
| Total Receipts Over Disbursements | 230,968 | 10,798 | 241,766 |
| Fund Cash Balances, July 1 | <u>66,066</u> | <u>17,814</u> | <u>83,880</u> |
| Fund Cash Balances, June 30 | | | |
| Restricted | - | 28,612 | 28,612 |
| Unassigned | 297,034 | - | 297,034 |
| <i>Fund Cash Balance, June 30</i> | <u>\$ 297,034</u> | <u>\$ 28,612</u> | <u>\$ 325,646</u> |

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

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**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

- a. At least three individuals representing the interest of families in the County. Where possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership;
- b. The Director of the Board of Alcohol, Drug Addiction, and Mental Health Services that serves the County, or, in the case of a County that has a Board of Alcohol and Drug Addiction Services and a Community Mental Health Board, the Directors of both Boards. If a Board of Alcohol, Drug Addition, and Mental Health Services covers more than one County, the Director may designate a person to participate on the County's Council;
- c. The Health Commissioner, or the Commissioner's designee, of the Board of Health of each City or General Health District in the County. If the County has two or more health districts, the Health Commissioner membership may be limited to the Commissioners of the two districts with the largest populations;
- d. The Director of the County Department of Job and Family Services;
- e. The Executive Director of the public children services agency or the County agency responsible for the administration of children services pursuant to the Ohio Revised Code Section 5153.15;
- f. The Superintendent of the County Board of Developmental Disabilities or if the Superintendent serves as Superintendent of more than one County Board of Developmental Disabilities, the Superintendent's designee;
- g. The Superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the County, as determined by the Ohio Department of Education, which shall notify each County of its determination at least biennially;
- h. A School Superintendent representing all other school districts with territory in the County, as designated at a biennial meeting of the superintendents of those districts;
- i. A representative of the municipal corporation with the largest population in the County;
- j. The President of the Board of County Commissioners or an individual designated by the Board;
- k. A representative of the regional office of the Ohio Department of Youth Services;
- l. A representative of the County's Head Start agencies, as defined in Ohio Revised Code Section 3301.32;
- m. A representative of the County's Early Intervention collaborative established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Education Act of 2004"; and

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

- n. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

A County Family and Children First Council may invite any other local public or private agency or group that funds, advocates, or provides services to children to have a representative become a permanent or temporary member of the Council.

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

- a. Referrals to the Cabinet Council of those children for whom the County Council cannot provide adequate services;
- b. Development and implementation of a process that annually evaluates and prioritizes services, fills service gaps where possible, and invents new approaches to achieve better results for families and children;
- c. Participation in the development of a countywide, comprehensive, coordinated, multi-disciplinary interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the Department of Health for early intervention services under the "Individuals with Disabilities Education Act of 2004";
- d. Maintenance of an accountability system to monitor the County Council's progress in achieving results for families and children; and
- e. Establishment of a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Council consists of all funds, departments, and activities that are not legally separate from the Council. They comprise the Council's legal entity which provides services including human, social, health and education to families and children.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Council in that the Council approves the budget, the issuance of debt, or the levying of taxes. The Council has no component units.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity (Continued)

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

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

D. Fund Accounting

The Council uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council classifies its funds into the following types:

General Fund – The General Fund is the operating fund of the Council. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – These funds are used to account for and report specific sources (other than from trusts or for capital projects) that are restricted or committed to expenditure for specified purposes. The Council had the following significant Special Revenue Funds:

Help Me Grow Grant Fund – This fund receives state and federal grant monies restricted for the purpose of the grant provisions.

Family-Centered Services and Supports Fund – This fund receives grant monies restricted for maintaining children and youth in their homes and communities by meeting the multi-systemic needs of children receiving service coordination.

E. Administrative/Fiscal Agent

Ohio Revised Code Section 121.37(B)(5)(a) requires the Council to select an administrative agent to provide fiscal and administrative services to the Council. The Council has selected the Knox County Job and Family Services as administrative agent. The Council authorizes Knox County Head Start, as fiscal agent, to subcontract with, designate, and/or seek assistance from any agencies and/or organizations that it deems necessary in order to complete the obligations set forth in the agreement. These entities agree to be ultimately responsible for fulfilling the fiscal and administrative obligations of the agreement.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

A Family and Children First Council established under Ohio Revised Code Section 121.37 is not a taxing authority and is not subject to Ohio Revised Code Chapter 5705. As of October 1, 1997, all Family and Children First Councils are required to file an annual budget with its administrative agent. The Council filed an estimate of financial resources and an appropriation measure with the Knox County Job and Family Services as required by Ohio law.

A summary of 2018 budgetary activity appears in Note 2.

G. Deposits and Investments

The Council's fiscal agent is the custodian for the Council's cash and investments. The fiscal agent maintains a cash and investment pool used for all of the fiscal agent's funds, including those of the Council. Deposits and investments are made in accordance with the Ohio Revised Code and are valued at the fiscal agent's carrying amount.

H. Capital Assets

The Council records cash disbursements for acquisitions of property, plant and equipment when paid. These items are not reflected as assets in the accompanying financial statements.

I. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Balance (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Council, which includes giving the administrative/fiscal agent the authority to constrain monies for intended purposes.

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

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

2. BUDGETARY ACTIVITY

Budgetary activity for the fiscal year ending June 30, 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$427,260 | \$336,299 | (\$90,961) |
| Special Revenue | 110,639 | 78,316 | (32,323) |
| Total | \$537,899 | \$414,615 | (\$123,284) |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$427,260 | \$105,331 | \$321,929 |
| Special Revenue | 110,639 | 67,518 | 43,121 |
| Total | \$537,899 | \$172,849 | \$365,050 |

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

3. EQUITY IN POOLED CASH

For the year ended June 30, 2018, the Knox County Head Start maintains a portion of the Council's cash in a separate bank account.

Monies held by Knox County are maintained in a cash pool used by all the Knox County's funds, including those of the Family and Children First Council. Council activity is maintained within the accounts setup in the Knox County Department of Job and Family Services (KCDJFS) Children Services Fund.

The carrying amount of cash at June 30 was as follows:

| | |
|------------------------|------------------|
| | <u>2018</u> |
| Knox County Head Start | <u>\$55,076</u> |
| Knox County Auditor | <u>270,570</u> |
| Total deposits | <u>\$325,646</u> |

The Knox County Auditor and Knox County Head Start are responsible for maintaining adequate depository collateral for all funds in the fiscal agent's deposit accounts. All risks associated with the above deposits are the responsibility of the fiscal agent.

4. CONTINGENT LIABILITIES

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

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Errors and omissions

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|------------------------------------|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Intergovernmental | \$ 321,617 | \$ 83,701 | \$ 405,318 |
| Charges for Services-Annual dues | 24,150 | - | 24,150 |
| Earnings on Investments | 6 | - | 6 |
| | <u>345,773</u> | <u>83,701</u> | <u>429,474</u> |
| Total Cash Receipts | | | |
| | <u>345,773</u> | <u>83,701</u> | <u>429,474</u> |
| Cash Disbursements: | | | |
| Purchased Services | <u>367,092</u> | <u>112,594</u> | <u>479,686</u> |
| | <u>367,092</u> | <u>112,594</u> | <u>479,686</u> |
| Total Cash Disbursements | | | |
| | <u>367,092</u> | <u>112,594</u> | <u>479,686</u> |
| Total Receipts Over Disbursements | (21,319) | (28,893) | (50,212) |
| Fund Cash Balances, July 1 | <u>87,385</u> | <u>46,707</u> | <u>134,092</u> |
| Fund Cash Balances, June 30 | | | |
| Restricted | - | 17,814 | 17,814 |
| Unassigned | 66,066 | - | 66,066 |
| <i>Fund Cash Balance, June 30</i> | <u>\$ 66,066</u> | <u>\$ 17,814</u> | <u>\$ 83,880</u> |

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

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**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

- n. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

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**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity (Continued)

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

C. Basis of Accounting

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**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

A Family and Children First Council established under Ohio Revised Code Section 121.37 is not a taxing authority and is not subject to Ohio Revised Code Chapter 5705. As of October 1, 1997, all Family and Children First Councils are required to file an annual budget with its administrative agent. The Council filed an estimate of financial resources and an appropriation measure with the Knox County Job and Family Services as required by Ohio law.

A summary of 2017 budgetary activity appears in Note 2.

G. Deposits and Investments

The Council's fiscal agent is the custodian for the Council's cash and investments. The fiscal agent maintains a cash and investment pool used for all of the fiscal agent's funds, including those of the Council. Deposits and investments are made in accordance with the Ohio Revised Code and are valued at the fiscal agent's carrying amount.

H. Capital Assets

The Council records cash disbursements for acquisitions of property, plant and equipment when paid. These items are not reflected as assets in the accompanying financial statements.

I. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Balance (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Council, which includes giving the administrative/fiscal agent the authority to constrain monies for intended purposes.

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

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

2. BUDGETARY ACTIVITY

Budgetary activity for the fiscal years ending June 30, 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$436,906 | \$345,773 | (\$91,133) |
| Special Revenue | 162,883 | 83,701 | (79,182) |
| Total | \$599,789 | \$429,474 | (\$170,315) |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$436,906 | \$367,092 | \$69,814 |
| Special Revenue | 160,979 | 112,594 | 48,385 |
| Total | \$597,885 | \$479,686 | \$118,199 |

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

3. EQUITY IN POOLED CASH

For the year ended June 30, 2017, the Knox County Head Start maintains a portion of the Council's cash in a separate bank account.

Monies held by Knox County are maintained in a cash pool used by all the Knox County's funds, including those of the Family and Children First Council. Council activity is maintained within the accounts setup in the Knox County Department of Job and Family Services (KCDJFS) Children Services Fund.

The carrying amount of cash at June 30 was as follows:

| | |
|------------------------|-----------------|
| | <u>2017</u> |
| Knox County Head Start | \$36,623 |
| Knox County Auditor | 47,257 |
| Total deposits | <u>\$83,880</u> |

The Knox County Auditor and Knox County Head Start are responsible for maintaining adequate depository collateral for all funds in the fiscal agent's deposit accounts. All risks associated with the above deposits are the responsibility of the fiscal agent.

4. CONTINGENT LIABILITIES

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

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Errors and omissions.



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

Family and Children First Council
Knox County
300 North Mulberry Street
Mount Vernon, Ohio 43050

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Family and Children First Council, Knox County, Ohio, (the Council) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated May 30, 2019 wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Council's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

May 30, 2019

**KNOX COUNTY FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND JUNE 30, 2017**

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

1. Financial Statement Presentation

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2018-001 |
|-----------------------|----------|

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16

The beginning fund balances reported on the financial statements submitted to the Auditor of State's Office agreed to the prior audited financial statements. However, the Council's accounting records did not accurately reflect the cash fund balances of the General and Special Revenue Funds. The General Fund was overstated by \$23,807, the Community Team Special Revenue Fund was understated by \$6,487, and the Help Me Grow-TANF Special Revenue Fund was understated by \$17,320. The Council made adjustments to their accounting records to properly reflect fund balances for these funds.

Knox County holds on to monies on behalf of the Council for expenditures. During our review of the cash reconciliation we noted that the Council is reconciling the balance held by Knox County but we noted that receipts were understated on the financial statements that increased the balance held by the County. Receipts and fund balance were understated by \$12,784 in the General Fund. This was due to receipts collected by the County on behalf of the Council not being recorded on the Council's accounting ledgers or yearend financial statement. There were \$750 of expenditures paid on-behalf of the Council by the County that were not recorded in the Council's financial statements which overstated the ending fund balance of the General Fund.

In addition, the following errors were noted on the June 30, 2017 financial statements:

- Receipts of \$15,750 were reclassified from miscellaneous to intergovernmental revenue in the General Fund.
- Interfund activity within the General Fund was incorrectly reported as \$74,392 of receipts and expenditures and needed to be removed from the financial statement.

The following errors were noted on the June 30, 2018 financial statements:

- Receipts of \$15,750 were reclassified from miscellaneous to intergovernmental revenue in the General Fund.
- Interfund activity within the General Fund was incorrectly reported as \$55,310 of receipts and expenditures and needed to be removed from the financial statement.

**KNOX COUNTY FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND JUNE 30, 2017
(continued)**

Financial Statement Presentation (continued)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2018-001 |
|-----------------------|----------|

The errors noted were due to a lack of review by the Council. Not ensuring proper reconciliation or proper financial statement presentation is done to verify the balance held by the County is accurate could and did lead to misplaced funds that belong to the Council and could and did create a material misstatement on the financial statements. Not ensuring proper classification and elimination of inter fund activity could and did lead to material misstatements on the financial statements.

The adjustments listed above were made to the financial statements and the accounting ledgers.

The fiscal officer should ensure that funds restricted for certain uses properly account for that restricted financial activity and that the fund balances of all funds of the Council are accurate each month. In addition, the County accounts for a portion of the Council's financial activity. The Council should reconcile the Council's accounting records with the accounting ledgers of the County each month. The members of the Council should review monthly financial reports that include all of the Council's funds and ensure the reconciliations noted above have been performed each month.

In addition the yearend financial statements prepared and submitted to the Auditor of State's Office should reflect the same financial balances as are reported in the Council's underlying accounting ledgers. The yearend financial statements should also be reviewed by the members of Council before being submitted to the Auditor of State's Office.

Official's Response:

After considerable research, it was revealed that the errors traced back prior to Head Start becoming the fiscal agent. We will get these errors resolved.

KNOX COUNTY FAMILY AND CHILDREN FIRST COUNCIL

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“To promote and facilitate collaboration among community agencies serving children and their families.”

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018 and JUNE 30, 2017

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|----------------------------------|---------------------|--|
| 2016-001 | Financial Statement Presentation | Partially Corrected | <p>Based on how funding is collected by Knox County JFS on behalf of the Knox County FCFC money is passed through from the Knox County JFS to the Fiscal Agent’s account (Head Start) for monies needed to pay for activity related to the Council expenses. The money collected from the Knox County JFS is recorded by the Director of the Council into the Special Revenue funds which caused the monies to be recorded twice having a net effect of zero. So interfund activity was not eliminated causing over statement of receipts and expenditures for the General Fund. We plan to eliminate moving forward on the financial statements all activity the Knox County JFS recorded and passed down to the Council by reducing the amount in the General Fund. This was not corrected from the prior year.</p> <p>We did note that the there was no activity posted to the General Fund from resources related to the Special Revenue fund. This was corrected in the audit period.</p> <p>Reissued as Finding 2018-001</p> |

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OHIO AUDITOR OF STATE KEITH FABER



KNOX COUNTY FAMILY AND CHILDREN FIRST COUNCIL

KNOX COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 22, 2019**