



**Auditor of State
Betty Montgomery**

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

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**Auditor of State
Betty Montgomery**

Family and Children First Council
Knox County
117 East High Street, 3rd Floor
Mount Vernon, Ohio 43050

To the Members of the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Council to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 15, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Family and Children First Council
Knox County
117 East High Street, 3rd Floor
Mount Vernon, Ohio 43050

To the Members of the Council:

We have audited the accompanying financial statements of the Family and Children First Council, Knox County, Ohio, (the Council) as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005.. Instead of the combined funds the accompanying financial statements present for June 30, 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since this Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Family and Children First Council, Knox County, Ohio as of June 30, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the years ended June 30, 2006 and 2005. The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 15, 2006

**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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$317,203	\$346,922	\$664,125
Investment earnings	1,693	0	1,693
Other Revenue	0	5,063	5,063
	<u>318,896</u>	<u>351,985</u>	<u>670,881</u>
Total Cash Receipts			
	<u>318,896</u>	<u>351,985</u>	<u>670,881</u>
Cash Disbursements:			
Purchased Services	248,748	363,968	612,716
	<u>248,748</u>	<u>363,968</u>	<u>612,716</u>
Total Disbursements			
	<u>248,748</u>	<u>363,968</u>	<u>612,716</u>
Total Receipts Over/(Under) Disbursements	70,148	(11,983)	58,165
Fund Cash Balances, July 1	<u>43,529</u>	<u>82,011</u>	<u>125,540</u>
Fund Cash Balances, June 30	<u>\$113,677</u>	<u>\$70,028</u>	<u>\$183,705</u>

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

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$190,123	\$350,499	\$540,622
Investment earnings	926	0	926
Other Revenue	0	1,873	1,873
	<u>191,049</u>	<u>352,372</u>	<u>543,421</u>
Cash Disbursements:			
Purchased Services	218,733	310,006	528,739
	<u>218,733</u>	<u>310,006</u>	<u>528,739</u>
Total Receipts Over/(Under) Disbursements	(27,684)	42,366	14,682
Fund Cash Balances, July 1	71,213	39,645	110,858
Fund Cash Balances, June 30	<u><u>\$43,529</u></u>	<u><u>\$82,011</u></u>	<u><u>\$125,540</u></u>

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

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Section 121.37, Ohio Revised Code, created the Ohio Family and Children First Cabinet Council and permitted counties to establish county family and children first councils. Statutory membership of a county council consists of the following individuals.

- a. 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;
- b. The health commissioner of the board of health of each city or general health district in the county, or their designees;
- c. The director of the county department of human services;
- d. The executive director of the county agency responsible for the administration of children services pursuant to section 5153.15 of the Revised Code;
- e. The superintendent of the county board of mental retardation and developmental disabilities;
- f. The county's juvenile court judge senior in service;
- 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 department of education, which shall notify each county of its determination at least biennially.
- h. A school superintendent representing all other school district with territory in the county, as designated at a biennial meeting of the superintendents of those districts;
- i. A representative of the largest city in the county;
- j. The chair of the board of county commissioners, or an individual designated by the board;
- k. A representative of the regional office of the department of youth services;
- l. A representative of the county's head start agencies, as defined in section 3301.31 of the Revised Code;
- m. A representative of the county's early intervention collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986"; and
- n. At least three individuals representing the interests of families in the county. Where possible, the number of members representing families shall be equal to twenty per cent of the council's remaining membership.

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.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

A county council's statutory responsibilities include the following:

- a. Refer to the cabinet council those children for whom the council cannot provide adequate services;
- b. Make periodic reports to the cabinet council regarding the number of children referred to the county council and the progress made in meeting the needs of each child;
- c. Develop a plan that reviews and adjusts existing programs, fills services gaps where possible, or invents new approaches to achieve better results for families and children;
- d. Participate 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 every intervention services under the Education of the Handicapped Act Amendments of 1986";
- e. Maintain an accountability system to monitor the council's progress in achieving its purposes; and
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving service with in the county system.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds

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

The Council maintains a separate special revenue fund for each program which is awarded to the Council that is either entirely or partially funded from federal or state sources. As of, and for the years ended June 30, 2006 and 2005, the following programs were awarded to the Council: Children's Trust Fund, Help Me Grow, and the FAST grant.

D. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Moundbuilders Guidance Center maintained a portion of the Council's cash in a separate bank account.

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

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

	<u>2006</u>	<u>2005</u>
Moundbuilders Guidance Center	\$87,974	\$97,001
Knox County Auditor	95,731	28,539
Total deposits	<u>\$183,705</u>	<u>\$125,540</u>

Deposits: The Knox County Auditor, and Moundbuilders Guidance Center, as the fiscal agents for the Council, are responsible for maintaining adequate collateral for all funds in Knox County's pooled and deposit accounts, and Moundbuilders Guidance Center's cash pool.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

The Council submits annual budgets to the fiscal agents as required by Ohio Law. These budgets summarize estimated receipts and disbursements.

Budgetary activity for the years ending June 30, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$178,052	\$318,896	\$140,844
Special Revenue	367,849	351,985	(15,864)
Total	\$545,901	\$670,881	\$124,980

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$247,715	\$248,748	(\$1,033)
Special Revenue	324,849	363,968	(39,119)
Total	\$572,564	\$612,716	(\$40,152)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$198,446	\$191,049	(\$7,397)
Special Revenue	324,584	352,372	27,788
Total	\$523,030	\$543,421	\$20,391

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$293,363	\$218,733	\$74,630
Special Revenue	303,437	310,006	(6,569)
Total	\$596,800	\$528,739	\$68,061



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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
117 East High Street, 3rd Floor
Mount Vernon, Ohio 43050

To the Members of the Council:

We have audited the financial statements of the Family and Children First Council, Knox County, Ohio, (the Council) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 15, 2006, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

A material weakness is a reportable condition 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Council's management dated November 15, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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, providing an opinion 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*.

We intend this report solely for the information and use of management, and the Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 15, 2006

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005**

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

FINDING NUMBER 2006-001

County Pooled Funds

Per the Agreement to Administer between the Council and the DJFS, the DJFS should maintain their financial accounting system in such a manner as to provide a separate set of accounting records, including revenue and expense, assets, liabilities and fund balance for the Knox County Family and Children First Council.

The Knox County Family and Children First Council (the Council) utilized the Knox County Department of Job and Family Services (DJFS) as an Administrative agent for its pooled funding during the audit period. The Council funds were commingled with the funds of the DJFS. Although, the funds were kept in separate receipt and expenditure line accounts, there was no feasible way to track fund balances on a timely basis.

In order to accurately track and account for the Council funds and to adhere to the Agreement to Administer, we recommend that:

- a separate fund be set up for the Council's funds; and
- monthly financial reports detailing the receipts, disbursements and fund balances that have been reconciled and derived from the fiscal agent's ledgers (Knox County), be submitted to the Council on a monthly basis so the Council Coordinator can reconcile this activity to the Council's internal records.

Officials' Response:

This issue has been addressed with the Knox County Auditor and at this time, the decision remains that Knox County DJFS will not be establishing a separate pooled fund. This would create a great deal of additional handling of funds as funds would need to be double appropriated from KCDJS and pooled funds and could cause confusion about funding sources.

FINDING NUMBER 2006-002

Recordkeeping and Bookkeeping

When designing the Council's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Adequate segregation of duties.
- Performing analytical procedures over financial data as a part of the overall monitoring process by the Board
- Ensuring timely compilation of data for timely preparation of financial statements and reconciliations.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (Continued)

Recordkeeping and Bookkeeping (Continued)

The following internal control weaknesses were noted over departmental operations:

- a. Although a running total was kept in a manual check register, comprehensive monthly bank reconciliations were not performed by Moundbuilders Guidance Center (fiscal agent), a fiscal agent for the Council's grant monies during the audit period.
- b. The monthly financial statements from the fiscal agent contain a detailed financial summary sheet and detailed reports that are utilized for reporting purposes to the Council. The summary sheets and the detailed reports are inconsistent in that the summary sheets lack the receipts and expenditures from some of the grant funds that have been discontinued throughout the years, however, the detailed reports include these grants and their activity. The detailed report also omits check numbers. Both of these issues make it difficult to ensure these statements are complete, and financial activity is accurately reported to Council each month.
- c. No one is assigned the responsibility to monitor the financial activity that is maintained by the fiscal agent, such as monitoring bank reconciliations and ensuring they are performed, or ensuring the fiscal agent prepares monthly financial statements that accurately reflect the activity of the Council.

The above weaknesses can result in an inability to manage and monitor the Council's operations in an effective manner.

To strengthen internal controls, we recommend:

- a. Council should require the fiscal agent to perform monthly bank reconciliations and submit them to the Council's Coordinator for review.
- b. The fiscal agent's financial information should be complete and should accurately reflect the financial position of the FCFC. The detailed records of the fiscal agent should agree to the financial summary sheet that the fiscal agent provides to the FCFC each month.
- c. The FCFC Coordinator should monitor the funds that are maintained by the fiscal agent. The bank reconciliations should be reviewed compared to the support provided by the fiscal agent, and approved by the Coordinator. The Coordinator should also periodically request detailed support of receipts and expenditures from the fiscal agent to ensure the activity reflects the intent of the Council.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-002 (Continued)

Recordkeeping and Bookkeeping (Continued)

Officials' Response:

These issues will be discussed with Moundbuilders Guidance Center (MBGC) fiscal staff for resolve and the following recommendations will be made:

- Quarterly bank reconciliations will be provided by MBGC to the Council Coordinator in addition to the current monthly financial reports. The Administrative Agent will work in coordination with the Council Coordinator to review these reconciliations.
- The monthly financial reports provided by MBGC will contain all line items of former grants received even if the balance is zero.
- The balance at the start of the new fiscal year will be the actual beginning balance rather than the ongoing balance carried over from the Council's inception. This will begin with the July 2007 report.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 3006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Council funds were commingled with the funds of the Administrative Agent (KCDJFS)	No	Not Corrected; See finding 2006-001
2004-002	Council did not ensure a single audit was performed as per OMB Circular A-133	Yes	Finding not valid for current audit. A Single Audit was not necessary for 2005 or 2006



**Auditor of State
Betty Montgomery**

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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
JANUARY 4, 2007**