



Dave Yost • Auditor of State

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Family and Children First Council
Paulding County
202 North Cherry Street
P.O. Box 176
Paulding, Ohio 45879-0176

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Family and Children First Council, Paulding County, Ohio (the Council), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 December 31, 2012 and 2011, or changes in financial position 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 combined cash balances of Family and Children First Council, Paulding County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Family and Children First Council adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2013

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**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Intergovernmental	\$15,750	\$110,140	\$125,890
Earnings on Investments	167	199	366
<i>Total Cash Receipts</i>	<u>15,917</u>	<u>110,339</u>	<u>126,256</u>
Cash Disbursements			
Current:			
Salaries	13,191	79,174	92,365
Fringe Benefits	3,695	38,462	42,157
Purchased Services	90	8,395	8,485
Parent Involvement	180	20	200
Program Mileage	338	4,371	4,709
Rent and Telephone/ Internet		4,500	4,500
Administrative	387	1,578	1,965
Supplies and Equipment	20	3,755	3,775
Audit Expense		1,755	1,755
<i>Total Cash Disbursements</i>	<u>17,901</u>	<u>142,010</u>	<u>159,911</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,984)</u>	<u>(31,671)</u>	<u>(33,655)</u>
Other Financing Disbursements			
Other Financing Uses		(6,653)	(6,653)
<i>Net Change in Fund Cash Balances</i>	(1,984)	(38,324)	(40,308)
<i>Fund Cash Balances, January 1</i>	<u>49,884</u>	<u>70,723</u>	<u>120,607</u>
Fund Cash Balances, December 31			
Restricted		35,486	35,486
Unassigned (Deficit)	47,900	(3,087)	44,813
<i>Fund Cash Balances, December 31</i>	<u>\$47,900</u>	<u>\$32,399</u>	<u>\$80,299</u>

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

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Intergovernmental	\$15,750	\$137,175	\$152,925
Earnings on Investments	271	312	583
<i>Total Cash Receipts</i>	<u>16,021</u>	<u>137,487</u>	<u>153,508</u>
Cash Disbursements			
Current:			
Salaries	12,615	86,780	99,395
Fringe Benefits	5,669	41,214	46,883
Purchased Services	1,475	7,210	8,685
Parent Involvement	240	3,183	3,423
Program Mileage	297	4,392	4,689
Rent and Telephone/ Internet		4,548	4,548
Administrative	424	2,345	2,769
Supplies and Equipment	15	2,399	2,414
Audit Expense	2,505		2,505
<i>Total Cash Disbursements</i>	<u>23,240</u>	<u>152,071</u>	<u>175,311</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(7,219)</u>	<u>(14,584)</u>	<u>(21,803)</u>
Other Financing Disbursements			
Other Financing Uses		(6,615)	(6,615)
<i>Net Change in Fund Cash Balances</i>	(7,219)	(21,199)	(28,418)
<i>Fund Cash Balances, January 1</i>	<u>57,103</u>	<u>91,922</u>	<u>149,025</u>
Fund Cash Balances, December 31			
Restricted		72,961	72,961
Unassigned (Deficit)	49,884	(2,238)	47,646
<i>Fund Cash Balances, December 31</i>	<u>\$49,884</u>	<u>\$70,723</u>	<u>\$120,607</u>

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

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

Ohio Revised Code § 121.37 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 Council in the county, or their designees;
- c. The director of the county department of job and family 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 Council 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 Councils with territory in the county, as designated at a biennial meeting of the superintendents of those Councils;
- 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";
- 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 20 percent 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
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (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 service 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 early 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;
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

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

B. Accounting Basis

These financial statements follow the accounting basis 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. 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 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Council had the following significant Special Revenue Fund:

Early Start/Help Me Grow Fund – Federal and state grant to be used for supporting and assisting low income families with children.

D. Administrative Agent

The Western Buckeye Educational Service Center (ESC) serves as administrative agent for the Council. Council funds are maintained in a separate agency fund by the ESC's Treasurer.

E. Budgetary Process

The Ohio Revised Code requires the Council to budget each fund annually by the Council and the budget be filed with the administrative agent.

F. Fund Balance

In 2011, the Council adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which had no effect on fund balances. Fund balances are 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:

1. Nonspendable

The Council classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. Committed

The Board can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a Council official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

G. Property, Plant, and Equipment

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Western Buckeye Education Service Center Treasurer maintains a cash pool used by all the ESC's funds, including those of the Council as of December 31, 2012 and 2011. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash on deposit with the ESC at December 31, 2012 and 2011 was \$80,299 and \$120,607, respectively. The fiscal agent for the Council is responsible for maintaining adequate depository collateral for all funds in the agent's pooled and deposit accounts.

3. Retirement Systems

The Council's certified employees belong to the State Teachers Retirement System (STRS). Other employees belong to the School Employees Retirement System (SERS). STRS and SERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, STRS members contributed 10% of their gross salaries and the Council contributed an amount equaling 14% of participants' gross salaries. For 2012 and 2011, SERS members contributed 10% of their gross salaries and the Council contributed an amount equaling 14% of participants' gross salaries. The Council has paid all contributions required through December 31, 2012.

4. Risk Management

The Council is insured for general liability and casualty by the Paulding County Commissioners.

5. 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.

6. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Special Revenue Funds	Total
<u>As of December 31, 2012</u>			
Restricted for			
Help Me Grow		\$27,089	\$27,089
Children Trust		4,751	
Wellness		3,646	3,646
<i>Total Restricted</i>		<u>35,486</u>	<u>30,735</u>
Unassigned (deficit):	\$47,899	(3,087)	44,812
<i>Total Fund Balances</i>	<u>\$47,899</u>	<u>\$32,399</u>	<u>\$75,547</u>

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Fund Balances (Continued)

Fund Balances	General Fund	Special Revenue Funds	Total
<u>As of December 31, 2011</u>			
Restricted for			
Help Me Grow		\$63,397	\$63,397
Children Trust		5,918	
Wellness		3,646	3,646
<i>Total Restricted</i>		<u>72,961</u>	<u>67,043</u>
Unassigned (deficit):	\$49,884	(2,238)	47,646
<i>Total Fund Balances</i>	<u>\$49,884</u>	<u>\$70,723</u>	<u>\$114,689</u>



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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
Paulding County
202 North Cherry Street
P.O. Box 176
Paulding, Ohio 45879-0176

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 Family and Children First Council, Paulding County, Ohio (the Council), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 24, 2013 wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and wherein the Council adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider finding 2012-001 described in the accompanying schedule of findings 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*.

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www.ohioauditor.gov

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2013

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The following errors were noted in the financial statements that required audit adjustments:

- Family Centered Services and Support Fund salary payments of \$4,461 and \$4,276 were recorded as purchased services disbursements in 2012 and 2011, respectively.
- Family Centered Services and Support Fund fringe benefit disbursements of \$657 were recorded as purchased services disbursements in 2012.
- Intergovernmental receipts of \$5,138 were classified as interest receipts in 2011 within the Help Me Grow Fund.

The Council adjusted the accounting records and the accompanying financial statements to correct these errors.

To ensure the Council's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

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FAMILY AND CHILDREN FRIST COUNCIL

PAULDING 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
JULY 23, 2013**