



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To 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, 2002 and June 30, 2001. These financial statements are the responsibility of the Council. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Council prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Council as of June 30, 2002 and June 30, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, the Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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JIM PETRO
Auditor of State

October 15, 2002

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX XOUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Intergovernmental | \$ 334,296 | \$ 344,337 | \$ 678,633 |
| Investment earnings | 2,381 | - | 2,381 |
| Other Revenue | 167 | 232 | 399 |
| Total Cash Receipts | <u>336,844</u> | <u>344,569</u> | <u>681,413</u> |
| Cash Disbursements: | | | |
| Purchased Services | <u>258,016</u> | <u>311,518</u> | <u>569,534</u> |
| Total Disbursements | <u>258,016</u> | <u>311,518</u> | <u>569,534</u> |
| Total Receipts Over/(Under) Disbursements | <u>78,828</u> | <u>33,051</u> | <u>111,879</u> |
| Fund Cash Balances, July 1 | <u>(44,450)</u> | <u>47,686</u> | <u>3,236</u> |
| Fund Cash Balances, June 30 | <u>\$ 34,378</u> | <u>\$ 80,737</u> | <u>\$ 115,115</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, 2001**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|---|----------------------------------|--------------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Intergovernmental | \$ 262,325 | \$ 150,897 | \$ 413,222 |
| Investment earnings | 2,377 | - | 2,377 |
| Other Revenue | <u>3,452</u> | <u>1,067</u> | <u>4,519</u> |
| Total Cash Receipts | <u>268,154</u> | <u>151,964</u> | <u>420,118</u> |
| Cash Disbursements: | | | |
| Purchased Services | <u>315,343</u> | <u>142,763</u> | <u>458,106</u> |
| Total Disbursements | <u>315,343</u> | <u>142,763</u> | <u>458,106</u> |
| Total Receipts Over/(Under) Disbursements | <u>(47,189)</u> | <u>9,201</u> | <u>(37,988)</u> |
| Fund Cash Balances, July 1 | <u>2,739</u> | <u>38,485</u> | <u>41,224</u> |
| Fund Cash Balances, June 30 | <u><u>\$ (44,450)</u></u> | <u><u>\$ 47,686</u></u> | <u><u>\$ 3,236</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, 2002 AND 2001**

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 districts 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";
- n. At least three individuals representing the interests of families in the county. Where possible, the number of member representing families shall be equal to twenty per cent of the council's remaining membership.

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

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.

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 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.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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 is the general operating fund. It is used to account for 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, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

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, 2002 and June 30, 2001, the following programs were awarded to the Council: the Ohio Wellness Block Grant, Help Me Grow Grant, and Father Initiative, and the Welcome Home 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. 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, 2001 and June 30, 2002 is as follows:

2001 Budgeted VS. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|-----------------|
| General | \$214,710 | \$268,154 | \$53,444 |
| Special Revenue | <u>172,024</u> | <u>151,964</u> | <u>(20,060)</u> |
| Total | <u>\$386,734</u> | <u>\$420,118</u> | <u>\$33,384</u> |

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001
(Continued)**

2. BUDGETARY ACTIVITY (Continued)

2001 Budgeted VS. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|------------------|----------------------------------|--------------------------------|------------------|
| General | \$420,082 | \$315,343 | \$104,739 |
| Special Revenue | <u>149,737</u> | <u>142,763</u> | <u>6,974</u> |
| Total | <u>\$569,819</u> | <u>\$458,106</u> | <u>\$111,713</u> |

2002 Budgeted VS. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|-------------------|
| General | \$299,340 | \$336,844 | \$37,504 |
| Special Revenue | <u>400,766</u> | <u>344,569</u> | <u>(56,197)</u> |
| Total | <u>\$700,106</u> | <u>\$681,413</u> | <u>(\$18,693)</u> |

2002 Budgeted VS. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|------------------|----------------------------------|--------------------------------|------------------|
| General | \$403,926 | \$258,016 | \$145,910 |
| Special Revenue | <u>389,079</u> | <u>311,518</u> | <u>77,561</u> |
| Total | <u>\$793,005</u> | <u>\$569,534</u> | <u>\$223,471</u> |

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001
(Continued)**

3. 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>2002</u> | <u>2001</u> |
|--------------------------------------|--------------------|--------------------|
| <u>Moundbuilders Guidance Center</u> | \$94,983 | \$63,361 |
| <u>Knox County Auditor</u> | <u>\$20,132</u> | <u>(\$60,125)</u> |
| <u>Total deposits</u> | <u>\$115,115</u> | <u>\$3,236</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. The negative balance at June 30, 2001 was covered by the KCDJFS Public Assistance Fund.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To Members of the Council:

We have audited the accompanying financial statements of the Knox County Family and Children First Council, Knox County, Ohio (the Council), as of and for the years ended June 30, 2002 and June 30, 2001, and have issued our report thereon dated October 15, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-60642-001.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Family and Children First Council
Knox County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

October 15, 2002

**FAMILY AND CHILDREN FIRST COUNCIL
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2002 AND 2001**

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

FINDING NUMBER 2002-60642-001

County Pooled Funds

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. Consequently, the Council's pooled cash balance was a negative \$(44,450) at the end of fiscal year 2001.

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.

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 be submitted to the Council on a monthly basis so the Council Coordinator can reconcile activity to the Council's internal records.



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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
NOVEMBER 7, 2002**