



Dave Yost • Auditor of State



**FAMILY AND CHILDREN FIRST COUNCIL  
KNOX COUNTY**

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# Dave Yost • Auditor of State

Family and Children First Council  
Knox County  
117 East High Street, 3<sup>rd</sup> 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 an 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 adverse 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.

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**Dave Yost**  
Auditor of State

October 29, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Family and Children First Council  
Knox County  
117 East High Street, 3<sup>rd</sup> 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, 2012 and 2011. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Council to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. 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, 2012 and 2011 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, 2012 and 2011, 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 as of June 30, 2012 and 2011 of the Family and Children First Council, Knox County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Family and Children First Council adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, 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.

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

October 29, 2012



**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, 2012**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$ 227,402	\$ 168,951	\$ 396,353
Earnings on Investments	21	-	21
Total Cash Receipts	<u>227,423</u>	<u>168,951</u>	<u>396,374</u>
<b>Cash Disbursements:</b>			
Purchased Services	<u>248,272</u>	<u>164,253</u>	<u>412,525</u>
Total Cash Disbursements	<u>248,272</u>	<u>164,253</u>	<u>412,525</u>
Total Receipts Over/(Under) Disbursements	(20,849)	4,698	(16,151)
Fund Cash Balances, July 1	<u>95,764</u>	<u>16,256</u>	<u>112,020</u>
<b>Fund Cash Balances, June 30</b>			
Restricted	-	20,954	20,954
Unassigned	74,915	-	74,915
<i>Fund Cash Balance, June 30</i>	<u><u>\$ 74,915</u></u>	<u><u>\$ 20,954</u></u>	<u><u>\$ 95,869</u></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, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$ 171,246	\$ 280,788	\$ 452,034
Earnings on Investments	22	-	22
<b>Total Cash Receipts</b>	<u>171,268</u>	<u>280,788</u>	<u>452,056</u>
<b>Cash Disbursements:</b>			
Purchased Services	161,516	256,234	417,750
<b>Total Cash Disbursements</b>	<u>161,516</u>	<u>256,234</u>	<u>417,750</u>
Total Receipts Over Disbursements	9,752	24,554	34,306
Fund Cash Balances, July 1	<u>86,012</u>	<u>(8,298)</u>	<u>77,714</u>
<b>Fund Cash Balances, June 30</b>			
Restricted	-	16,256	16,256
Unassigned	95,764	-	95,764
<b>Fund Cash Balance, June 30</b>	<u><b>\$ 95,764</b></u>	<u><b>\$ 16,256</b></u>	<u><b>\$ 112,020</b></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, 2012 AND 2011**

**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 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 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", 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, 2012 AND 2011  
(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 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 purpose; and
- f. Establish a mechanism to ensure ongoing input from a board representation of families who are receiving service within the county system.

**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.

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, 2012 AND 2011  
(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 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 Jun 30, 2012 and 2011, the following programs were awarded to the Council: Children's Trust Fund and Help Me Grow.

**D. Fund Balance**

For June 30, 2012 and 2011, 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:

**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 Council can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Council 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.

**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 Council or a Council official delegated that authority by resolution, or by State Statute.

**FAMILY AND CHILDREN FIRST COUNCIL  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Balance (Continued)**

**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.

**E. Property, Plant, and Equipment**

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

**2. Equity In Pooled Deposits and Investments**

For the years ended June 30, 2012 and 2011, the Knox County Headstart maintained 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) Public Assistance Fund.

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

	<u>2012</u>	<u>2011</u>
Knox County Headstart	\$ 31,060	\$ 26,960
Knox County Auditor	64,809	85,060
Total deposits	<u>\$ 95,869</u>	<u>\$ 112,020</u>

**Deposits:** The Knox County Auditor and Knox County Headstart, as the fiscal agent for the Council, are responsible for maintaining adequate collateral for all funds of the Council.

**3. Budgetary Activity**

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

**FAMILY AND CHILDREN FIRST COUNCIL  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

Budgetary activity for the years ending June 30, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$273,781	\$227,423	(\$46,358)
Special Revenue	219,636	168,951	(50,685)
Total	\$493,417	\$396,374	(\$97,043)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$273,781	\$248,272	\$25,509
Special Revenue	219,636	164,253	55,383
Total	\$493,417	\$412,525	\$80,892

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$193,944	\$171,268	(\$22,676)
Special Revenue	67,724	280,788	213,064
Total	\$261,668	\$452,056	\$190,388

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,944	\$161,516	\$32,428
Special Revenue	67,724	256,234	(188,510)
Total	\$261,668	\$417,750	(\$156,082)

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# Dave Yost • Auditor of State

## 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, 3<sup>rd</sup> 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, 2012 and 2011, and have issued our report thereon dated October 29, 2012, 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 and we noted the Council in 2011 adopted Governmental Accounting Standard Board Statement No. 54. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 did note certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated October 29, 2012.

We intend this report solely for the information and use of the management, and others within the Council. We intend it for no one other than these specified parties.

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**Dave Yost**  
Auditor of State

October 29, 2012



# Dave Yost • Auditor of State

**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  
DECEMBER 13, 2012**