



OHIO AUDITOR OF STATE
KEITH FABER



MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Muskingum Families and Children First Council
Muskingum County
333 Putnam Avenue
Zanesville, Ohio 43701

To the Members of the Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Muskingum Families and Children First Council, Muskingum County, Ohio (the Council), as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Muskingum Families and Children First Council, Muskingum County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 31, 2019

Muskingum Families and Children First Council
Muskingum County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Charges for Services	\$3,200	\$0	\$3,200
Intergovernmental	43,207	217,515	260,722
Donations	20,318	0	20,318
Miscellaneous	8,933	76,662	85,595
<i>Total Cash Receipts</i>	<u>75,658</u>	<u>294,177</u>	<u>369,835</u>
Cash Disbursements			
Current:			
Salaries	15,471	91,690	107,161
Fringe Benefits	13,538	33,557	47,095
Other Personnel Expenses	2,605	2,753	5,358
Contract Services	0	35,894	35,894
Building, Equipment, & Supplies	20,918	9,135	30,053
Other	0	76,332	76,332
<i>Total Cash Disbursements</i>	<u>52,532</u>	<u>249,361</u>	<u>301,893</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>23,126</u>	<u>44,816</u>	<u>67,942</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	15,961	15,961
Transfers Out	0	(15,961)	(15,961)
Advances In	35,000	25,000	60,000
Advances Out	(25,000)	(35,000)	(60,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,000</u>	<u>(10,000)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	33,126	34,816	67,942
<i>Fund Cash Balances, January 1, 2018</i>	<u>42,421</u>	<u>97,022</u>	<u>139,443</u>
Fund Cash Balances, December 31			
Restricted	0	131,838	131,838
Assigned	7,419	0	7,419
Unassigned (Deficit)	68,128	0	68,128
<i>Fund Cash Balances, December 31, 2018</i>	<u>\$75,547</u>	<u>\$131,838</u>	<u>\$207,385</u>

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

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 Reporting Entity/Summary of Significant Accounting Policies

A. Description of the Entity

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

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

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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

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

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

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

B. Reporting Entity

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

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

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

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

C. Basis of Accounting

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

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

D. Fund Accounting

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

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

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

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

Special Education Grant – Infants and Families (HMG-Part C) – This fund receives federal grant monies restricted for expectant parents; newborns and their families; and infants and toddlers at risk for or with developmental delays and disabilities and their families.

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

Creative Options Fund – This fund receives donations to be used to provide youth and family services in an effort to help maintain families as a unit.

E. Administrative/Fiscal Agent

Ohio Revised Code Section 121.37(B)(5)(a) requires the Council to select an administrative agent to provide fiscal and administrative services to the Council. The Council has selected the Zanesville-Muskingum County Health Department. The Council authorizes The Zanesville-Muskingum County Health Department, as fiscal agent and administrative agent, to subcontract with, designate, and/or seek assistance from any agencies and/or organizations that it deems necessary in order to complete the obligations set forth in the agreement. The Zanesville-Muskingum County Health Department agrees to be ultimately responsible for fulfilling the fiscal and administrative obligations of the agreement. This designation changed on July 1, 2018 to the Muskingum County Department of Job and Family Services.

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

F. Budgetary Process

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

A summary of 2018 budgetary activity appears in Note 2.

G. Cash and Investments

The Council designated the Zanesville-Muskingum County Health Department (1/1/18 through 6/30/18) and the Muskingum County Department of Jobs and Family Services (7/1/18 through 12/31/18) as the fiscal agent for all funds received in the name of the Council. Deposits of monies are made with the Muskingum County Treasurer and fund expenditures and balances are reported through the Muskingum County Auditor. Deposits and investments are made in accordance with the Ohio Revised Code and are valued at the fiscal agent's carrying amount.

H. Property, Plant and Equipment

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

I. Accumulated Leave

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

J. Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

In the General Fund, assigned amounts represent intended uses established by policies of the Council, which includes giving the administrative/fiscal agent the authority to constrain monies for intended purposes.

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

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

Note 2 Budgetary Activity

Budgetary activity for the years ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,750	\$75,658	\$27,908
Special Revenue	260,962	310,138	49,176
Total	\$308,712	\$385,796	\$77,084

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,753	\$55,604	\$3,149
Special Revenue	309,570	283,112	26,458
Total	\$368,323	\$338,716	\$29,607

Note 3 Equity in Pooled Cash and Investments

The Muskingum County Treasurer, as custodian of cash and investments for the Zanesville Muskingum County Health Department and the Muskingum County Department of Jobs and Family Services, fiscal agent for the Council, maintains a cash and investments pool used by all funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments and the County Treasurer is responsible for compliance. The carrying amount of deposits and investments at December 31, 2018 was \$207,385.

The County Treasurer is responsible for maintaining adequate depository collateral for all funds in the County's pooled and deposit accounts. All risks associated with the above deposits are the responsibility of the County.

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 4 Retirement System

The Council's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 14% of their gross salaries, and the Council contributed an amount equaling 10% of participants' gross salaries. The Council has paid all contributions required through December 31, 2018.

Note 5 Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2018.

Note 6 Risk Management

The Council is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 7 Contingent Liabilities

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor. 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.

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Muskingum Families and Children First Council
Muskingum County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Charges for Services	\$8,400	\$0	\$8,400
Intergovernmental	36,604	243,334	279,938
Donations	7,950	0	7,950
Miscellaneous	3,195	0	3,195
<i>Total Cash Receipts</i>	<u>56,149</u>	<u>243,334</u>	<u>299,483</u>
Cash Disbursements			
Current:			
Salaries	17,915	126,719	144,634
Fringe Benefits	11,345	53,226	64,571
Other Personnel Expenses	1,143	3,822	4,965
Contract Services	0	17,306	17,306
Building, Equipment, & Supplies	24,217	19,892	44,109
Other	0	90,837	90,837
<i>Total Cash Disbursements</i>	<u>54,620</u>	<u>311,802</u>	<u>366,422</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>1,529</u>	<u>(68,468)</u>	<u>(66,939)</u>
Other Financing Receipts (Disbursements)			
Advances In	40,000	30,000	70,000
Advances Out	(30,000)	(40,000)	(70,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,000</u>	<u>(10,000)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	11,529	(78,468)	(66,939)
<i>Fund Cash Balances, January 1, 2017</i>	<u>30,892</u>	<u>175,490</u>	<u>206,382</u>
Fund Cash Balances, December 31			
Restricted	0	97,022	97,022
Assigned	20,072	0	20,072
Unassigned (Deficit)	22,349	0	22,349
<i>Fund Cash Balances, December 31, 2017</i>	<u>\$42,421</u>	<u>\$97,022</u>	<u>\$139,443</u>

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

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity/Summary of Significant Accounting Policies

A. Description of the Entity

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- d. The Director of the County Department of Job and Family Services;
- e. The Executive Director of the public children services agency or the County agency responsible for the administration of children services pursuant to the Ohio Revised Code Section 5153.15;
- f. The Superintendent of the County Board of Developmental Disabilities or if the Superintendent serves as Superintendent as more than one County Board of Developmental Disabilities, the Superintendent's designee;
- g. The Superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the County, as determined by the Ohio Department of Education, which shall notify each County of its determination at least biennially;
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- i. A representative of the municipal corporation with the largest population in the County;
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- k. A representative of the regional office of the Ohio Department of Youth Services;
- l. A representative of the County's Head Start agencies, as defined in Ohio Revised Code Section 3301.32;
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Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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

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

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

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

C. Basis of Accounting

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

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

D. Fund Accounting

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

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

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

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

Special Education Grant – Infants and Families (HMG-Part C) – This fund receives federal grant monies restricted for expectant parents; newborns and their families; and infants and toddlers at risk for or with developmental delays and disabilities and their families.

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

Creative Options Fund – This fund receives donations to be used to provide youth and family services in an effort to help maintain families as a unit.

E. Administrative/Fiscal Agent

Ohio Revised Code Section 121.37(B)(5)(a) requires the Council to select an administrative agent to provide fiscal and administrative services to the Council. The Council has selected the Zanesville-Muskingum County Health Department. The Council authorizes The Zanesville-Muskingum County Health Department, as fiscal agent and administrative agent, to subcontract with, designate, and/or seek assistance from any agencies and/or organizations that it deems necessary in order to complete the obligations set forth in the agreement. The Zanesville-Muskingum County Health Department agrees to be ultimately responsible for fulfilling the fiscal and administrative obligations of the agreement.

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

F. Budgetary Process

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

A summary of 2017 budgetary activity appears in Note 2.

G. Cash and Investments

The Council designated the Zanesville-Muskingum County Health Department as the fiscal agent for all funds received in the name of the Council. Deposits of monies are made with the Muskingum County Treasurer and fund expenditures and balances are reported through the Muskingum County Auditor. Deposits and investments are made in accordance with the Ohio Revised Code and are valued at the fiscal agent's carrying amount.

H. Property, Plant and Equipment

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

I. Accumulated Leave

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

J. Fund Balance

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

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

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

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

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

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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

Note 2 Budgetary Activity

Budgetary activity for the years ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,750	\$56,149	\$11,399
Special Revenue	312,969	243,334	(69,635)
Total	\$357,719	\$299,483	(\$58,236)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,712	\$55,053	\$9,659
Special Revenue	415,064	322,816	92,248
Total	\$479,776	\$377,869	\$101,907

Note 3 Equity in Pooled Cash and Investments

The Muskingum County Treasurer, as custodian of cash and investments for the Zanesville Muskingum County Health Department, fiscal agent for the Council, maintains a cash and investments pool used by all funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments and the County Treasurers is responsible for compliance. The carrying amount of deposits and investments at December 31, 2017 was \$139,433.

The County Treasurer is responsible for maintaining adequate depository collateral for all funds in the County's pooled and deposit accounts. All risks associated with the above deposits are the responsibility of the County.

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 Retirement System

The Council's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 14% of their gross salaries, and the Council contributed an amount equaling 10% of participants' gross salaries. The Council has paid all contributions required through December 31, 2017.

Note 5 Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

Note 6 Risk Management

The Council is exposed to various risks of property and casualty losses, and injuries to employees.

The Council insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Council belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Muskingum Families and Children First Council
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$1,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u> \$263
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 Contingent Liabilities

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor. 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.

Note 8 Subsequent Event

Effective July 1, 2018, the designation of the Council's fiscal and administrative agent changed from the Zanesville-Muskingum County Health Department to the Muskingum County Department of Job and Family Services.

OHIO AUDITOR OF STATE KEITH FABER



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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

Muskingum Families and Children First Council
Muskingum County
333 Putnam Avenue
Zanesville, Ohio 43701

To the Members of the Council

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Muskingum Families and Children First Council, Muskingum County, Ohio (the Council), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated October 31, 2019 wherein we noted the Council followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

October 31, 2019

**MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Furthermore, Auditor of State Bulletin 2015-007 states the notes to the financial statements, and all other components, are required to be included in the financial statements filed with the Auditor of State via the Hinkle System. The notes to the financial statements should include all pertinent information relating to the audit and be in a format that contains accurate and current information.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, requires five fund balance classifications (nonspendable, restricted, committed, assigned, and unassigned) related to constraints placed upon the use of resources reported in governmental funds and clarifies the existing governmental fund type definitions. Auditor of State Bulletin 2011-004 requires local governments which prepare regulatory financial statements to implement these fund balance classifications and governmental fund type definitions.

For the fiscal year ending December 31, 2018, the Council failed to report the activity for the portion of the year under which the Muskingum County Department of Jobs and Family Services was administrative and fiscal agent. This resulted in receipts and other financing sources, totaling \$78,327 and \$137,549, expenditures and other financing uses, totaling \$2,780 (net) and \$5,711 (net), and fund cash balances, totaling \$75,547 and \$131,838, being omitted from the Council's financial statements for the General Fund and Special Revenue Funds, respectively.

For the fiscal year ending December 31, 2017, Charges for Services and Donations of \$8,400 and \$3,800, respectively, were incorrectly reported as Fines, Licenses and Permits in the General Fund.

Additionally, for the fiscal years ending December 31, 2018 and 2017, the Council failed to properly classify fund balances in accordance with the requirements of GASB Statement No. 54. No fund balance classifications were presented on the face of the financial statements, except for the General Fund for fiscal year 2017, in which Assigned fund balance was understated and Unassigned fund balance was overstated by \$19,639.

Additionally, we noted the following errors in the Council's footnotes to the financial statements:

- For 2018, the Council failed to report any budgetary information within the footnotes.
- The carrying amount of deposits and investments at December 31, 2018 was reported as zero rather than \$207,385.
- Within the budgetary disclosure, for the year ended December 31, 2017, we noted the following errors:
 - General Fund actual receipts were reported at \$55,053 rather than \$56,149.
 - Special Revenue Fund budgeted receipts were reported at \$265,631 rather than \$312,969 and actual receipts were reported as \$322,816 rather than \$243,334.
 - General Fund appropriations were reported at \$64,568 rather than \$64,712 and budgetary expenditures were reported as \$90,053 rather than \$55,053.
 - Special Revenue Fund appropriations were reported at \$615,064 rather than \$415,064 and budgetary expenditures were reported as \$362,816 rather than \$322,816.

**MUSKINGUM FAMILIES AND CHILDREN FIRST COUNCIL
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-001 (Continued)

Material Weakness (Continued)

Audit adjustments, with which management has agreed, are reflected in the accompanying financial statements and notes to the financial statements. Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Council's financial information.

The Fiscal Officer should exercise additional care when preparing the financial statements and classifying receipts on the Council's financial statements. The Council should report fund balances on their annual financial statements in accordance with the requirements of GASB Statement No. 54. Additionally, the Fiscal Officer should utilize the Auditor of State website to access resources to assist in accurate completion of the notes to the financial statements.

Officials' Response: We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



MUSKINGUM COUNTY FAMILIES AND CHILDREN FIRST COUNCIL

MUSKINGUM 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 19, 2019**