



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Family and Children First Council
Paulding County
103½ East Perry Street
Paulding, Ohio 45879-1412

To the Members of Council:

We have audited the accompanying financial statements of the Paulding County Family and Children First Council (the Council) as of and for the years ended December 31, 2000 and 1999. 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 audits.

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. 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 described in Note 2, 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Family and Children First Council, Paulding County, Ohio, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 2.

As described in Note 7, during 1999 the Council reclassified the Early Start Grant Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2001 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 management, Council members, 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.

Jim Petro
Auditor of State

June 21, 2001

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Intergovernmental	\$59,767	\$189,002	\$248,769
Miscellaneous	106	1,229	1,335
	<hr/>	<hr/>	<hr/>
Total cash receipts	59,873	190,231	250,104
	<hr/>	<hr/>	<hr/>
Cash disbursements:			
Salaries	31,997	54,683	86,680
Contract Services	5,109	79,863	84,972
Advertising/Printing	1,352	2,239	3,591
Supplies/Postage	177	444	621
Travel/Lectures	1,170	4,716	5,886
Miscellaneous	181	428	609
	<hr/>	<hr/>	<hr/>
Total cash disbursements	39,986	142,373	182,359
	<hr/>	<hr/>	<hr/>
Total cash receipts over cash disbursements	19,887	47,858	67,745
	<hr/>	<hr/>	<hr/>
Fund cash balances, January 1, 2000	5,530	35,205	40,735
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Fund cash balances, December 31, 2000	<u>\$25,417</u>	<u>\$83,063</u>	<u>\$108,480</u>

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

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Intergovernmental	\$63,854	\$44,235	\$108,089
Cash disbursements:			
Salaries	52,007	16,124	68,131
Contract Services	39,857	9,405	49,262
Advertising/Printing	3,006		3,006
Supplies/Postage	3,718		3,718
Travel/Lectures	2,325	1,946	4,271
Miscellaneous	2,266	297	2,563
Total cash disbursements	103,179	27,772	130,951
Total cash receipts over/(under) cash disbursements	(39,325)	16,463	(22,862)
Other financing receipts/(disbursements):			
Transfers-in		10,750	10,750
Transfers-out	(10,750)		(10,750)
Other sources	260		260
Total other financing receipts/(disbursements)	(10,490)	10,750	260
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(49,815)	27,213	(22,602)
Fund cash balances, January 1, 1999	55,345	7,992	63,337
Fund cash balances, December 31, 1999	\$5,530	\$35,205	\$40,735

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

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. DESCRIPTION OF THE ENTITY

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

- a. The director of the board of alcohol, drug addiction, and mental health services that serves the county, or, in the case of a county that has a board of alcohol and drug addiction services and a community mental health board, the directors of both boards;
- b. The health commissioner of the board of health of each city or general health 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 Start collaborative established pursuant to the federal early Start program operated under the "Education of the Handicapped Act Amendments of 1986";
- n. At least three individuals representing the interests of families in the county. Where possible, the number of members representing families shall be equal to 20 percent of the council's remaining membership.

A county family and children first council may invite any other local public or private agency or group that funds, advocates, or provides services to children to have a representative become a permanent or temporary member of the council.

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

A county council's statutory responsibilities include the following:

- a. Refer to the cabinet council those children for whom the council cannot provide adequate services;
- b. Make periodic reports to the cabinet council regarding the number of children referred to the county council and the progress made in meeting the needs of each child;
- c. Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invents new approaches to achieve better results for families and children;
- d. Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the department of health for early Start services under the "Education of the Handicapped Act Amendments of 1986";
- e. Maintain an accountability system to monitor the council's progress in achieving its purposes;
- f. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the county system.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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. 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 prescribed or permitted by the Auditor of State.

B. Fund Accounting

The Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions are reflected in a self-balancing group of accounts.

General Fund - the general operating fund of the Council. It is used to account for all financial resources, except those required by law or contract to be restricted.

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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 had the following significant Special Revenue Funds:

Ohio Wellness Block Grant - Federal grant to be used for programs aimed at reducing Teen Pregnancy and Child Abuse and Neglect.

Early Start Grant - Federal grant to be used for programs aimed at the early development of children.

Welcome Home Grant - Federal grant to be used for Newly Born Home Visiting program.

C. Fiscal Agent

The Paulding County Commissioners and the Paulding County Department of Job and Family Services served as fiscal agents for the Council. Council funds are maintained in separate agency funds by the Paulding County Auditor.

D. Budgetary Process

The Ohio Revised Code and Audit of State Bulletin 98-007 requires that each fund be budgeted annually.

A summary of 2000 and 1999 budgetary activity appears in Note 4.

E. 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.

F. Unpaid Sick Leave

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon leaving employment. Unpaid sick leave is not reflected as liabilities under the cash basis of accounting used by the Council.

3. EQUITY IN POOLED CASH

The Paulding County Treasurer maintains a cash pool used by all of the County's funds, including those of the Family and Children First Council. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash on deposit with the County at December 31, 2000 was \$108,480 and at December 31, 1999 was \$40,735. The Paulding County Treasurer is responsible for maintaining adequate depository collateral for all funds in the Paulding County's pooled and deposit accounts.

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 was as follows:

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,737	\$39,986	\$751
Special Revenue	175,832	142,373	33,459
Total	\$216,569	\$182,359	\$34,210

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,407	\$113,929	(\$3,522)
Special Revenue	135,692	27,772	107,920
Total	\$246,099	\$141,701	\$104,398

5. DEFINED BENEFIT PENSION PLANS

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Council contributed an amount equal to 13.55% of participants' gross salaries during fiscal year 1999 and the first half of fiscal year 2000. The Council contributed a temporary rollback rate of 8.13% for the last half of fiscal year 2000. The Council has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

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

7. PRIOR PERIOD ADJUSTMENT

The Early Start Grant fund balance of \$7,992 was included as part of the General Fund Balance at December 31, 1998. Beginning in 1999, the Council has classified this activity as a special revenue fund. This resulted in a restatement of Beginning Fund Balances as follows:

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

	Cash Fund Balance as Originally Presented at <u>12/31/98</u>	Change in Fund Balance <u>Balance</u>	Restated Cash Fund Balance <u>1/1/99</u>
General Fund	\$63,337	(\$7,992)	\$55,345
Special Revenue Funds		\$7,992	\$7,992

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

Family and Children First Council
Paulding County
103½ East Perry Street
Paulding, Ohio 45879-1412

To the Members of Council:

We have audited the financial statements of the Paulding County Family and Children First Council (the Council) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 21, 2001, wherein we noted that the Council reclassified the Early Start Grand Fund. 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 the 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Council in a separate letter dated June 21, 2001.

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 certain 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 the financial reporting that in our judgement 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 2000-60263-001.

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 over financial reporting that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that may be material weaknesses. We believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Council in a separate letter dated June 21, 2001.

These comments are intended for the information and use of management and Council members, and are not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 21, 2001

**FAMILY AND CHILDREN FIRST COUNCIL
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-60263-001

Material Weakness - Credit Cards

Sound accounting practices require that there be a proper accounting of all disbursements. This is usually obtained by paying disbursements by warrant or check and maintaining the warrants, checks, and invoices on file. When a government determines that it is in its best interest to utilize credit cards there should be specific procedures in place that define under what circumstances credit card expenditures are allowed and how those expenditures should be accounted for.

The employees of the Council have obtained a VISA Gold credit card with a credit limit of \$6,500. This credit card has an annual percentage rate of 15.9%. This card was obtained without evidence of Council approval. Furthermore, no policy exists at the Council that describes when credit card purchases are allowed and how they should be accounted for.

This has contributed to purchases being made for items such as: office supplies, cleaning supplies, children's instructional materials, flowers, Christmas cards, groceries, internet service fees, rental of a karaoke machine, video tapes, rental of a van, and a family newsletter.

Also, the outstanding balances on this credit card was never paid off at anytime during the period September 8, 1999 to December 31, 2000. The average monthly balance was \$2,450 with a one time high balance of \$5,447. This resulted in \$360 in finance charges being paid by the Council in 1999 and 2000.

Finally, \$790 in cash advances were made on the credit card in 1999 and 2000 which cost an additional \$26 in cash advance fees.

These weaknesses significantly increase the likelihood that improper expenditures could be made and that Council resources could be ineffectively utilized. It also is allowing for a highly inefficient means of financing for the Council.

In order to improve controls over disbursements, we recommend that the Council pass a policy that at minimum contains the following:

- The purposes the credit card can be used for, such as meal and hotel expense while on business travel. Routine purchases of supplies, equipment, or services should be specifically prohibited.
- Prohibition of cash advances.
- A requirement that the balance of the credit card be paid off each month so no finance charge is incurred.
- Prohibition of the use of the Council's credit card for personal use.
- A maximum dollar limit for individual charges.

FINDING NUMBER 2000-60263-001
(Continued)

- A requirement that receipts be obtained for all charges and be turned into the Coordinator and the Paulding County Auditor in a timely manner. Any employee or official not providing detailed receipts for expenditures incurred on the credit card should be held personally liable.
- A restriction that the credit card be kept in a secure location by management and only be given to Council authorized employee(s) when needed. This will prevent unauthorized use, accidental use, or loss or theft of the credit cards.

We further recommend the Paulding County Auditor along with the council members, review credit card expenditures periodically to ensure the policy is being followed.



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FAMILY AND CHILDREN FIRST COUNCIL

PAULDING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 17, 2001**