



Dave Yost • Auditor of State

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

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Dave Yost • Auditor of State

Lorain County Children and Families Council
Lorain County
216 Third Street
Elyria, Ohio 44035

To 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 government 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 9, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lorain County Children and Families Council
Lorain County
216 Third Street
Elyria, Ohio 44035

To the Council:

We have audited the accompanying financial statements of the Lorain County Children and Families Council, Lorain County, (the Council) as of and for the years ended December 31, 2011 and 2010. 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 2, 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 Governments 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 December 31, 2011 and 2010 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 October 9, 2012, 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 December 31, 2011 and 2010 of the Lorain County Children and Families Council, Lorain County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Lorain County Children and Families 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 9, 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.



Dave Yost
Auditor of State

October 9, 2012

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Intergovernmental - State	\$206,395	\$799,960	\$1,006,355
Intergovernmental - Federal	0	127,848	127,848
Miscellaneous	0	6,983	6,983
<i>Total Cash Receipts</i>	<u>206,395</u>	<u>934,791</u>	<u>1,141,186</u>
Cash Disbursements			
Salaries and Benefits	250,830	0	250,830
Office Supplies	32	3,371	3,403
Professional Services	0	18,463	18,463
Contractual Services	0	1,051,965	1,051,965
Other Operating Expenses	2,501	44,552	47,053
Loan Repayment	0	25,478	25,478
<i>Total Cash Disbursements</i>	<u>253,363</u>	<u>1,143,829</u>	<u>1,397,192</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(46,968)</u>	<u>(209,038)</u>	<u>(256,006)</u>
<i>Fund Cash Balances, January 1</i>	<u>89,759</u>	<u>564,228</u>	<u>653,987</u>
Fund Cash Balances, December 31			
Restricted	0	355,190	355,190
Unassigned	42,791	0	42,791
<i>Fund Cash Balances, December 31</i>	<u>\$42,791</u>	<u>\$355,190</u>	<u>\$397,981</u>

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

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental - State	\$198,635	\$936,599	\$1,135,234
Intergovernmental - Federal	85,372	587,619	672,991
Loan Proceeds	0	25,478	25,478
Other	1,640	0	1,640
<i>Total Cash Receipts</i>	<u>285,647</u>	<u>1,549,696</u>	<u>1,835,343</u>
Cash Disbursements:			
Salaries and Benefits	217,571	0	217,571
Office Supplies	19	3,552	3,571
Professional Services	89	8,257	8,346
Contractual Services	0	1,372,627	1,372,627
Other Operating Expenses	2,427	62,208	64,635
Loan Repayment	20,000	0	20,000
<i>Total Cash Disbursements</i>	<u>240,106</u>	<u>1,446,644</u>	<u>1,686,750</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	45,541	103,052	148,593
<i>Fund Cash Balances, January 1, 2010, Restated</i>	<u>44,218</u>	<u>461,176</u>	<u>505,394</u>
<i>Fund Cash Balances, December 31, 2010</i>	<u>\$89,759</u>	<u>\$564,228</u>	<u>\$653,987</u>

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

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

1. DESCRIPTION OF THE ENTITY

A. General – Section 121.37, 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:

1. The director of the board of alcohol, drug addiction and mental health services that serve 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;
2. The health commissioner of the board of health of each city or general health district in the county, or their designees;
3. The director of the county department of job and family services;
4. The executive director of the county agency responsible for the administration of children services pursuant to Section 5153.15 of the Revised Code;
5. The superintendent of the county board of mental retardation and developmental disabilities;
6. The county's juvenile court judge senior in service;
7. 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;
8. 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;
9. A representative of the largest city in the county;
10. The chair of the board of county commissioners, or an individual designated by the board;
11. A representative of the regional office of the department of youth services;
12. A representative of the county's head start agencies, as defined in Section 3301.31 of the Revised Code;
13. 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
14. 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.

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.

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

A. General (Continued)

A county council's statutory responsibilities include the following:

1. Refer to the cabinet council those children for whom the council cannot provide adequate services;
2. 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;
3. Develop a plan that reviews and adjusts existing programs, fill service gaps where possible, or invents new approaches to achieve better results for families and children;
4. Participate in the development of a countywide, comprehensive, coordinated, multi-disciplinary, interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the Department of Health for early intervention services under the "Education of the Handicapped Act Amendments of 1986";
5. Maintain an accountability system to monitor the council's progress in achieving its purposes; and
6. Establish a mechanism to ensure ongoing input from a broad representation of families who are receiving service within the county system.

B. Council Board

The Family Cluster was established in 1991. This organization served as a county council, however, lacked council membership as required by Ohio Revised Code Section 121.37. In April, 1993, the Cluster determined that a formal Children and Families Council was needed. The Cluster hired an Executive Director and established the Children and Families Council (Council). The necessary membership was added to become a county Children and Families First Council as established by Ohio Revised Code 121.37.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting** – These financial statements follow the basis of accounting prescribed or permitted by the Ohio 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 a payment is made rather than when a liability is incurred.

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

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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. The Council classifies its funds into the following types:

General Fund – This fund is 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 accounted for in another fund.

Special Revenue Funds – These funds are used to account for proceeds from specific sources that are legally restricted to expenditures for specific purposes.

The Council maintains a separate special revenue fund for each program which is awarded to the Council that is either entirely or partially funded from federal sources. During 2011 and 2010, the Council had the following programs: Ohio Early Start, TANF, Ohio Children's Trust Fund, and Early Intervention. Of these funds, the following were significant to the Council:

Ohio Early Start Fund - This fund receives money for the Ohio Early Start program that is run by the Council.

Early Intervention Fund - This fund receives money for the Early Intervention program that is run by the Council.

- C. Fiscal Agent** – The Lorain County Auditor serves as the fiscal agent for the Council.
- D. Administrative Agent** – The Lorain County Board of Commissioners serves as the Administrative Agent for the Council. This is in addition to any other duties performed by the Board of Commissioners.
- E. Fixed Assets** – Acquisitions of fixed assets are recorded as disbursements when paid and are not reflected as assets on the accompanying financial statements.
- F. Intersystem Administrator** – The purpose of the Council is to identify ways in which Lorain County child serving systems can provide services to the community in the most efficient and effective manner. The Executive Director of the Council administers all of the Council's programs.
- G. Fund Balance** – For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Board must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance (Continued)

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

Trustees can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Trustees 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 Board or a Board official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

The Board 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.

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

3. CASH FUND BALANCE RESTATEMENT

The following fund restatements were made to the Council's governmental fund balances as previously reported:

	General	Special Revenue
Cash fund balance as previously reported	\$42,106	\$373,142
Cash adjustment to reconcile to Lorain County	2,112	88,034
Restated cash fund balance at January 1, 2010	\$44,218	\$461,176

4. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Council has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement did not have an effect on the Council's financial statements.

5. EQUITY IN POOLED CASH

The Lorain County Auditor maintains a cash pool used by all of the County's funds, including those of the 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, 2011 and December 31, 2010 were \$397,981 and \$653,987 respectively. The Lorain County Auditor, as the ultimate fiscal agent for the Council, is responsible for maintaining adequate depository collateral for all funds in Lorain County's pooled and deposit accounts.

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

6. LOANS

The Council receives interest free loans from Lorain County by resolution of the Lorain County Commissioners. Loan activity for the years ended 2011 and 2010 is as follows:

2011	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Fund	\$ 27,769	\$ -	\$ -	\$ 27,769
Special Revenue				
Part C - ARRA	<u>25,478</u>	<u>-</u>	<u>25,478</u>	<u>-</u>
Grand Total	<u>\$ 53,247</u>	<u>\$ -</u>	<u>\$ 25,478</u>	<u>\$ 27,769</u>
2010	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Fund	\$ 47,769	\$ -	\$ 20,000	\$ 27,769
Special Revenue				
Part C - ARRA	<u>-</u>	<u>25,478</u>	<u>-</u>	<u>25,478</u>
Grand Total	<u>\$ 47,769</u>	<u>\$ 25,478</u>	<u>\$ 20,000</u>	<u>\$ 53,247</u>

7. RETIREMENT SYSTEM

Council employees belong to the Public Employees Retirement System (OPERS) of Ohio. The OPERS is a cost-sharing, multiple-employer defined benefit pension plan. This plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a publicly available, stand-alone financial report. Interested parties may obtain a copy by making a written request to: 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085 or 1-800-222-7377.

The OPERS members contributed 10% of their gross salaries. The Council contributed an amount equal to 14% of participants' gross salaries. The Council has paid all contributions required through December 31, 2011.



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

Lorain County Children and Families Council
Lorain County
226 Middle Avenue
Lorain, Ohio 44035

To the Council:

We have audited the financial statements of the Lorain County Children and Families Council, Lorain County, (the Council) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 9, 2012, wherein we noted the Council followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. Furthermore, we noted the Council adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. 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 opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

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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*.

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

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

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 9, 2012

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of Executive Director, Fiscal Specialist and the Council, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses regarding the reconciliations of the Council's fund balance to its fiscal agent, Lorain County, were noted and subsequent adjustments were made by management to the financial statements:

- The General Fund cash balance was understated by \$2,112 in 2010; and
- The Special Revenue Fund cash balance was understated by \$88,034 in 2010.

The lack of controls over the reconciliation of cash fund balances and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout each year.

We recommend the Council take appropriate measures to ensure that all financial reports are in agreement with the County's reports and that all annual financial reports depict the accurate financial position of the Council.

Official's Response:

We are aware of this issue and will begin to perform semi-annual reconciliations to balance between cash and the books immediately.

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Dave Yost • Auditor of State

LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL

LORAIN 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
OCTOBER 23, 2012