



**PIKE FAMILY AND CHILDREN FIRST COUNCIL
PIKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Pike Family and Children First Council
Pike County
301 Clough Street
Waverly, OH 45690

To the Members of Council:

We have audited the accompanying financial statements of the Pike Family and Children First Council, Pike County, (the Council) as of and for the years ended December 31, 1998 and December 31, 1997. 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 generally accepted auditing standards 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 audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Council prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than 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 Pike Family and Children First Council, Pike County, as of December 31, 1998 and December 31, 1997, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 1999, 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.

This report is intended solely for the information and use of the Council, management and other officials authorized to receive this report under Section 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

November 1, 1999

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$28,309	\$85,978	\$114,287
Other Revenue	10,403	37	10,440
 Total Cash Receipts	 38,712	 86,015	 124,727
Cash Disbursements:			
Salaries	32,081	25,565	57,646
Benefits	3,914	3,786	7,700
Travel	1,642	1,292	2,934
Supplies	467	30,016	30,483
Miscellaneous	2,637	28,674	31,311
 Total Cash Disbursements	 40,741	 89,333	 130,074
Excess of Cash Receipts Over/Under Cash Disbursements	(2,029)	(3,318)	(5,347)
Fund Cash Balances, January 1	12,750	34,377	47,127
Fund Cash Balances, December 31	<u>\$10,721</u>	<u>\$31,059</u>	<u>\$41,780</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$24,404	\$76,188	\$100,592
Total Cash Receipts	24,404	76,188	100,592
Cash Disbursements:			
Salaries	24,231	8,892	33,123
Benefits	4,077	1,066	5,143
Travel	1,967	382	2,349
Supplies	399	8,919	9,318
Miscellaneous	13,608	22,552	36,160
Total Cash Disbursements	44,282	41,811	86,093
Excess of Cash Receipts Over/(Under) Cash Disbursements	(19,878)	34,377	14,499
Fund Cash Balances, January 1	32,628	0	32,628
Fund Cash Balances, December 31	<u>\$12,750</u>	<u>\$34,377</u>	<u>\$47,127</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998-1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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:

- a. The Director of the Board of Alcohol, Drug Addiction and Mental Health Services that services 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 3303.31 of the Revised Code;
- m. A representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986."
- n. At least three individuals representing the 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998-1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

A County Council's statutory responsibilities include the following:

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

B. Basis of Accounting

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

C. Fund Accounting

The Council uses fund accounting to segregate cash that is restricted as to use. The Council classifies its funds into the following types:

General Fund

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

Special Revenue Fund

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 Fund :

Wellness Block Grant, Indicator I and II - This fund is a state grant to provide prevention and intervention services for teen pregnancy maintained as an Agency Fund by the County Auditor.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998-1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fiscal Agent

The Pike County Mental Rehabilitation and Developmental Disabilities Board served as fiscal agent for the Council. Council funds are maintained in the Family and Children First Council Fund, a separate fund, maintained by the Pike County Auditor.

2. EQUITY IN POOLED CASH

The Pike County Auditor maintains a cash pool used by all the County's funds, including those of the Family and Children First Council. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash on deposit with the County at December 31, 1997 was \$47,127 and at December 31, 1998 was \$41,780. The Pike County Treasurer is responsible for maintaining adequate depository collateral for all funds in Pike County's pooled and deposit accounts.

3. RETIREMENT SYSTEMS

The Council's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, members of PERS contributed 8.5% of their gross salaries. The Council contributed an amount equal to 13.55% of participants' gross salaries. The Council has paid all contributions required through December 31, 1998.

4. YEAR 2000 ISSUE

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Council has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the Council's operations:

- The Council relies on the Pike County Auditor's computer system for its financial operations. Pike County is responsible for remediating these systems and is solely responsible for any costs associated with this project.
- The Council's office space is a building which is owned by Pike County. Pike County is responsible for remediating the heating/air conditioning system and is solely responsible for any costs associated with these systems.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Council is or will be Year 2000 ready, that the Council's remediation efforts will be successful in whole or in part, or that parties with whom the Council does business will be Year 2000 ready.

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

Pike Family and Children First Council
Pike County
301 Clough Street
Waverly, OH 45690

To The Members of Council:

We have audited the financial statements of the Pike Family and Children First Council, Pike County, (the Council) as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated November 1, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 Pike Family and Children First 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1998-60766-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike Family and Children First 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 financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1998-60766-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above to be a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Council in a separate letter dated November 1, 1999.

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

JIM PETRO
Auditor of State

November 1, 1999

SCHEDULE OF FINDINGS

FOR THE YEARS ENDED DECEMBER 31, 1998-1997

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

Finding Number	1998-60766-001
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Ohio Rev. Code Section 121.37(B)(4) states that each Family and Children First Council must designate an administrative agent from one of the public entities listed in the legislation. This agent is required to perform the following functions which may not be delegated to another entity:

- a. Serve as the Council's appointing authority;
- b. Ensure that all expenditures are handled in accordance with policies, procedures, and activities prescribed by State departments in rules or interagency agreements that are applicable to the Council's functions; and
- c. Other administrative and fiscal responsibilities such as - entering into agreements or administering contracts, provide financial stipends or reimbursements to family representatives for expenses related to Council activity or receive gifts for the purposes for which the Council is established.

It is recommended that all duties delegated by the Council to its administrative agent be documented in a written agreement outlining the specific authority and responsibility of each party.

Ohio Rev. Code Section 121.37 further states that effective October 1, 1997, all Family and Children First Council's are required to file an annual budget with their administrative agent, with copies filed with the County Auditor and the Board of County Commissioners, unless the Board is the Council's administrative agent.

During our testing it was noted that the Council has not designated an administrative agent nor filed an annual budget.

We recommend that the Council appoint an administrative agent and enter into a written contract documenting the specific authority and responsibility of each party. We recommend, in the future, that an annual budget be filed with the agent, the County Auditor and the County Commissioners.

SCHEDULE OF FINDINGS

**FOR THE YEARS ENDED DECEMBER 31, 1998-1997
(Continued)**

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

Finding Number	1998-60766-002
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Monitoring Subrecipients

The Council did not receive or approve monthly reports from the agents that administer their grants nor did it report these funds on their financial statements. The Council applied for and received grant monies in the name of Family and Children First Council and then appointed a department as subrecipient to administer the grant within the confines of the grant contract. This passing-through of grants did not relieve the Council of its responsibility to maintain the fiscal accountability of the grants. This responsibility included the financial reporting of the grants on its financial statements, the monitoring of all receipts and disbursements and the monitoring of the reporting process to the grantor.

With the absence of monitoring procedures, improper expenditures can be made without timely detection and required reports may not be submitted to the grantor agency. Additionally, the Council may be required to reimburse the grantor agency for any funds that were not allowable expenditures, or for any financial activity that was not reported to the grantor agency in a timely manner.

We recommend that the Council receive and approve monthly financial reports from all agencies designated as subrecipients of any grant received in the name of the Pike Family and Children First Council. These reports should include complete monthly financial information which would permit the comparison of budgeted to actual receipts and disbursements and any prepared reports of activity or financial information required to be reported to the grantor. These reports should be approved by the Council.

We further recommend that the Council report all unrestricted funds as the General Fund and each restricted fund as a Special Revenue Fund on its financial statements. The Special Revenue Funds should include any funds which house grant monies granted in the name of Family and Children First and for which the Council holds fiscal accountability.

CORRECTIVE ACTION PLAN

FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1998-60766-001	An administrative agent will be appointed from the designated public entities and an appropriate administrative agent agreement signed. The Council's fiscal agent will provide the Administrative Agent and the Council with monthly financial reports that will allow the Council to review pertinent financial information in an effort to monitor the financial activity and position.	December 31, 1999	Roger Kemper, Board Chairman
1998-60766-002	The Council will require agencies administering its grants to submit monthly financial reports and all grant reports to the Council for its approval. The Council will also prepare financial statements which include all grant funds received in the Council's name as Special Funds.	December 31, 1999	Roger Kemper, Board Chairman



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FAMILY AND CHILDREN FIRST COUNCIL

PERRY 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
JANUARY 6, 2000**