



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Independent Auditor's Report .....   | 1           |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in<br>Fund Cash Balances (Regulatory Cash Basis) – All Governmental Fund Types -<br>For the Year Ended December 31, 2017 ..... | 3           |
| Notes to the Financial Statements for the Year Ended December 31, 2017 .....   | 4           |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in<br>Fund Cash Balances (Regulatory Cash Basis) – All Governmental Fund Types -<br>For the Year Ended December 31, 2016 ..... | 11          |
| Notes to the Financial Statements for the Year Ended December 31, 2016 .....   | 12          |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....                         | 19          |
| Schedule of Findings.....  | 21          |

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lorain County Children and Families Council  
Lorain County  
226 Middle Avenue  
Elyria, OH 44035

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 Lorain County Children and Families Council, Lorain County, Ohio (the Council) as of and for the years ended December 31, 2017 and 2016.

### ***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 Section 117.38 and Ohio Administrative Code Section 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 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 2 of the financial statements, the Council prepared these financial statements using 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), 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 Section 117.38 and Ohio Administrative Code Section 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, 2017 and 2016, 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 Lorain County Children and Families Council, Lorain County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 5, 2018

**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL  
LORAIN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | General          | Special<br>Revenue | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                  |                    |                                |
| Intergovernmental - State                             | \$263,089        | \$213,754          | \$476,843                      |
| Intergovernmental - Federal                           | 77,166           | 491,116            | 568,282                        |
| Miscellaneous Receipts                                | 753              |                    | 753                            |
| <i>Total Cash Receipts</i>                            | <u>341,008</u>   | <u>704,870</u>     | <u>1,045,878</u>               |
| <b>Cash Disbursements</b>                             |                  |                    |                                |
| Salaries and Benefits                                 | 204,507          |                    | 204,507                        |
| Contractual Services                                  | 90,428           | 624,327            | 714,755                        |
| Supplies and Materials                                | 1,443            | 292                | 1,735                          |
| Professional Services                                 |                  | 32,617             | 32,617                         |
| Other Operating Expenses                              | 25,225           | 20,899             | 46,124                         |
| <i>Total Cash Disbursements</i>                       | <u>321,603</u>   | <u>678,135</u>     | <u>999,738</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>19,405</u>    | <u>26,735</u>      | <u>46,140</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>       |                  |                    |                                |
| Loan Proceeds   |                  | 30,000             | 30,000                         |
| Transfers In  | 17,495           |                    | 17,495                         |
| Transfers Out   |                  | (17,495)           | (17,495)                       |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>17,495</u>    | <u>12,505</u>      | <u>30,000</u>                  |
| <i>Net Change in Fund Cash Balances</i>               | 36,900           | 39,240             | 76,140                         |
| <i>Fund Cash Balances, January 1</i>                  | <u>63,716</u>    | <u>78,776</u>      | <u>142,492</u>                 |
| <b>Fund Cash Balances, December 31:</b>               |                  |                    |                                |
| Restricted  |                  | 118,016            | 118,016                        |
| Unassigned  | 100,616          |                    | 100,616                        |
| <i>Fund Cash Balances, December 31</i>                | <u>\$100,616</u> | <u>\$118,016</u>   | <u>\$218,632</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 YEAR ENDED DECEMBER 31, 2017**

**Note 1 – Reporting Entity**

Ohio Rev. 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:

1. 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;
2. 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;
3. 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;
4. The Director of the County Department of Job and Family Services;
5. 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;
6. The Superintendent of the County Board of Developmental Disabilities or if the Superintendent serves as Superintendent of more than one County Board of Developmental Disabilities, the Superintendent's designee;
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 Ohio 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 municipal corporation with the largest population in the County;
10. The President of the Board of County Commissioners or an individual designated by the Board;
11. A representative of the regional office of the Ohio Department of Youth Services;
12. A representative of the County's Head Start agencies, as defined in Ohio Revised Code Section 3301.32;
13. 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"; and
14. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 1 – Reporting Entity (Continued)**

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:

1. Referrals to the Cabinet Council of those children for whom the County Council cannot provide adequate services;
2. 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;
3. 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”;
4. Maintenance of an accountability system to monitor the County Council’s progress in achieving results for families and children; and
5. Establishment of 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.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

The Council’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

**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 funds of the Council are presented below:

**General Fund** - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Special Revenue Funds** - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Council had the following significant Special Revenue Funds:

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

**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 selected the Lorain County Board of Commissioners as its Administrative Agent and the Lorain County Auditor as its Fiscal Agent. The Council authorizes the Lorain County Board of Commissioners as administrative agent and the Lorain County Auditor as fiscal agent, to subcontract with, designate, and/or seek assistance from any agencies and/or organizations that they deem necessary in order to complete the obligations set forth in the agreement. The Lorain County Board of Commissioners and the Lorain County Auditor agree to be ultimately responsible for fulfilling the administrative and fiscal obligations of the agreements, respectively.

**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 Council 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.

**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 Lorain County Auditor as required by Ohio law.

No budgetary information is presented because the budget is not established by ordinance or resolution of Council prior to filing with its administrative agent.

**Deposits and Investments**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

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

**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.

**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.

**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** 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 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 amounts not included in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 3 – Deposits and Investments**

The Lorain County Auditor, as fiscal agent for the Council, maintains a cash pool used by all of the Lorain County Auditor’s funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments the Lorain County Auditor is responsible for compliance. The carrying amount of deposits and investments at December 31, 2017 was \$218,632.

The fiscal agent is responsible for maintaining adequate depository collateral for all funds in the fiscal agent’s pooled and deposit accounts. All risks associates with the above deposits are the responsibility of the fiscal agent.

**Note 4 – Loans**

The Council received interest free loans from Lorain County by resolution of the Lorain County Board of Commissioners. Loan activity for the years ended December 31, 2017 follows:

|                       | Beginning<br>Balance | Additions        | Reductions  | Ending<br>Balance |
|-----------------------|----------------------|------------------|-------------|-------------------|
| General Fund          | \$ 27,769            | \$ -             | \$ -        | \$ 27,769         |
| Special Revenue Funds | 88,500               | 30,000           |             | 118,500           |
| Total Loans           | <u>\$ 116,269</u>    | <u>\$ 30,000</u> | <u>\$ -</u> | <u>\$ 146,269</u> |

**Note 5 – Risk Management**

The Council is insured for general liability and casualty by the Lorain County Board of Commissioners. Settled claims have not exceeded the commercial coverage in any of the last three years. There has not been a significant reduction in this coverage from the prior year.

**Note 6 – Defined Benefit Pension Plan**

The Council’s employee belongs 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, the OPERS member contributed 10 percent of their gross salary and the Council contributed an amount equaling 14 percent of the participant’s gross salary. The Council has paid all contributions required through December 31, 2017.

**Note 7 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor, principally the federal government. 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 9 – Interfund Transactions**

The CFFC – Engage and the CFFC – Early Intervention Special Revenue Funds made transfers totaling \$17,495 transfer to the General Fund to correct payments to vendors that were withdrawn from incorrect accounts.

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**LORAIN COUNTY CHILDREN AND FAMILIES COUNCIL  
LORAIN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | General         | Special<br>Revenue | Totals<br>(Memorandum<br>Only) |
|--|-----------------|--------------------|--------------------------------|
| <b>Cash Receipts</b>                                 |                 |                    |                                |
| Intergovernmental - State                            | \$183,493       | \$296,452          | \$479,945                      |
| Intergovernmental - Federal                          | 23,868          | 160,575            | 184,443                        |
| Miscellaneous Receipts                               | 170             | 4,577              | 4,747                          |
| <i>Total Cash Receipts</i>                           | <u>207,531</u>  | <u>461,604</u>     | <u>669,135</u>                 |
| <b>Cash Disbursements</b>                            |                 |                    |                                |
| Salaries and Benefits                                | 219,055         |                    | 219,055                        |
| Contractual Services                                 | 3,061           | 504,174            | 507,235                        |
| Loan Repayment                                       |                 | 65,000             | 65,000                         |
| Supplies and Materials                               | 1,222           | 3,581              | 4,803                          |
| Professional Services                                | 3,521           | 3,245              | 6,766                          |
| Other Operating Expenses                             | 9,336           | 2,689              | 12,025                         |
| <i>Total Cash Disbursements</i>                      | <u>236,195</u>  | <u>578,689</u>     | <u>814,884</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(28,664)</u> | <u>(117,085)</u>   | <u>(145,749)</u>               |
| <b>Other Financing Receipts</b>                      |                 |                    |                                |
| Loan Proceeds  |                 | 65,000             | 65,000                         |
| <i>Total Other Financing Receipts</i>                | <u>0</u>        | <u>65,000</u>      | <u>65,000</u>                  |
| <i>Net Change in Fund Cash Balances</i>              | (28,664)        | (52,085)           | (80,749)                       |
| <i>Fund Cash Balances, January 1</i>                 | <u>92,380</u>   | <u>130,861</u>     | <u>223,241</u>                 |
| <b>Fund Cash Balances, December 31:</b>              |                 |                    |                                |
| Restricted   |                 | 78,776             | 78,776                         |
| Unassigned   | 63,716          |                    | 63,716                         |
| <i>Fund Cash Balances, December 31</i>               | <u>\$63,716</u> | <u>\$78,776</u>    | <u>\$142,492</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 YEAR ENDED DECEMBER 31, 2016**

**Note 1 – Reporting Entity**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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**Basis of Accounting**

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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.

**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 Lorain County Auditor as required by Ohio law.

No budgetary information is presented because the budget is not established by ordinance or resolution of Council prior to filing with its administrative agent.

**Deposits and Investments**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

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

**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.

**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.

**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** 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 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 amounts not included in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 3 – Deposits and Investments**

The Lorain County Auditor, as fiscal agent for the Council, maintains a cash pool used by all of the Lorain County Auditor's funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments the Lorain County Auditor is responsible for compliance. The carrying amount of deposits and investments at December 31, 2016 was \$142,492.

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

**Note 4 – Loans**

The Council received interest free loans from Lorain County by resolution of the Lorain County Board of Commissioners. Loan activity for the years ended December 31, 2016 follows:

|                       | Beginning<br>Balance | Additions        | Reductions       | Ending<br>Balance |
|-----------------------|----------------------|------------------|------------------|-------------------|
| General Fund          | \$ 27,769            | \$ -             | \$ -             | \$ 27,769         |
| Special Revenue Funds | 88,500               | 65,000           | 65,000           | 88,500            |
| Total Loans           | <u>\$ 116,269</u>    | <u>\$ 65,000</u> | <u>\$ 65,000</u> | <u>\$ 116,269</u> |

**Note 5 – Risk Management**

The Council is insured for general liability and casualty by the Lorain County Board of Commissioners. Settled claims have not exceeded the commercial coverage in any of the last three years. There has not been a significant reduction in this coverage from the prior year.

**Note 6 – Defined Benefit Pension Plan**

The Council's employee belongs 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 2016, the OPERS member contributed 10 percent of their gross salary and the Council contributed an amount equaling 14 percent of the participant's gross salary. The Council has paid all contributions required through December 31, 2016.

**Note 7 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution.

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 8 – Contingent Liabilities (Continued)**

Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
Elyria, OH 44035

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 Lorain County Children and Families Council, Lorain County, (the Council) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 5, 2018 wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 2017-001 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*.

***Council's Response to Findings***

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

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 5, 2018



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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

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

**1. Financial Reporting**

|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2017-001</b> |
|-----------------------|-----------------|

**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.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of the financial statements and notes of the Council.

The following weaknesses and subsequent corrections were made to the financial statements, footnotes and the accounting records by Management for FY2017:

- The Council did not include miscellaneous revenue of \$753 in the General Fund.
- The Council understated General Fund expenses by \$3,757.
- The Council did not report transfers receipted to the General Fund from the Special Revenue Fund in the amount of \$17,495
- The Council did not properly report ending fund balances as unassigned and restricted prescribed by GASB 54 paragraph 18.
- The Council understated Special Revenue Fund intergovernmental revenue - federal grant by \$60,631.
- The Council did not include loan proceeds of \$30,000 in the Special Revenue Fund.
- The Council reported \$32,617 of professional services expenses as contractual services expenses.
- The Council understated beginning fund balance in the financial statements for the Special Revenue Fund by \$38,352.

The following weakness and subsequent correction was made to the financial statements by Management for FY2016:

- The Council did not properly report ending fund balances as unassigned and restricted prescribed by GASB 54 paragraph 18.

For both years' reports, the notes to the financial statements did not include required disclosures for loan balance changes, interfund transactions and descriptions of Special Revenue Funds, the budgetary process, fund balance classifications, risk management, contingent liabilities, and post-employment benefits.

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**1. Financial Reporting (Continued)**

|                       |                 |
|-----------------------|-----------------|
| <b>Finding Number</b> | <b>2017-001</b> |
|-----------------------|-----------------|

**Material Weakness (Continued)**

Management stated that these errors were caused by an oversight and misunderstanding of the requirements.

The failure to accurately present financial statement transactions, note disclosures and report beginning fund balances diminishes the reliability of the financial data at year-end.

We recommend the Council implement and/or strengthen controls over financial reporting. Management should ensure the financial statements and notes to the financial statements are complete and accurate at the time of submission.

**Official's Response:** Subsequent to the discovery of a lack of documentation for loans / temporary transfers, affecting the fund balances, a procedure was put in place to document the procedure, strengthen the controls over the funds, and provide for a clear audit path for all accounts. In addition, all accounts are documented and forwarded to Management to review monthly.



# 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  
DECEMBER 20, 2018**