



OHIO AUDITOR OF STATE
KEITH FABER



**ERIE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
ERIE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Erie County Family and Children First Council
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870

To 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 Erie County Family and Children First Council, Erie County, Ohio (the Council) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 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, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Erie County Family and Children First Council, Erie County as of December 31, 2018 and 2017, 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 November 18, 2019, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 18, 2019

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

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-------------------------|----------------------------|---|
| Cash Receipts | | | |
| Intergovernmental | \$47,204 | \$221,239 | \$268,443 |
| Charges for Services | 5,000 | | 5,000 |
| Local Contributions | 2,000 | | 2,000 |
| <i>Total Cash Receipts</i> | <u>54,204</u> | <u>221,239</u> | <u>275,443</u> |
| Cash Disbursements | | | |
| Personal Services | 16,990 | 17,012 | 34,002 |
| Contractual Services | 42,218 | 244,048 | 286,266 |
| Travel Reimbursements | 118 | 1,291 | 1,409 |
| Supplies and Materials | 518 | | 518 |
| <i>Total Cash Disbursements</i> | <u>59,844</u> | <u>262,351</u> | <u>322,195</u> |
| <i>Net Change in Fund Cash Balances</i> | (5,640) | (41,112) | (46,752) |
| <i>Fund Cash Balances, January 1</i> | <u>114,299</u> | <u>38,247</u> | <u>152,546</u> |
| Fund Cash Balances, December 31: | | | |
| Restricted | | 17,796 | 17,796 |
| Assigned | 343 | | 343 |
| Unassigned (Deficit) | 108,316 | (20,661) | 87,655 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$108,659</u></u> | <u><u>(\$2,865)</u></u> | <u><u>\$105,794</u></u> |

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

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2018

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 Rev. Code Section 5153.15;
6. The Superintendent of the County Board of Developmental Disabilities or if the Superintendent serves as Superintendent as more than one County Board of Developmental Disabilities, the Superintendent's designee;
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 Rev. 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

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2018

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

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

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

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) which is organized on a fund type 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.

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Council had the following significant Special Revenue Funds:

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

Strong Families Grant Fund This fund receives state grant monies restricted for the purpose of the grant provisions.

Administrative/Fiscal Agent

Ohio Rev. 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 Erie County Commissioners. The Council authorizes the Erie County Commissioners, as fiscal agent and administrative agent, to subcontract with, designate, and/or seek assistance from any agencies and/or organizations that it deems necessary in order to complete the obligations set forth in the agreement. The Erie County Commissioners agree to be ultimately responsible for fulfilling the fiscal and administrative obligations of the agreement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

Budgetary Process

A Family and Children First Council established under Ohio Rev. Code Section 121.37 is not a taxing authority and is not subject to Ohio Rev. 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 Erie County Commissioners as required by Ohio law.

Appropriations The Council annually approves an appropriation measure and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission approves estimated resources.

Encumbrances The Council reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Deposits and Investments

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

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 upon leaving employment, employees are entitled to cash payments 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.

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2018

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

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018, follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|-------------------|-----------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$102,658 | \$54,204 | (\$48,454) |
| Special Revenue | 306,956 | 221,239 | (85,717) |
| Total | \$409,614 | \$275,443 | (\$134,171) |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$66,524 | \$60,187 | \$6,337 |
| Special Revenue | 291,227 | 285,489 | 5,738 |
| Total | \$357,751 | \$345,676 | \$12,075 |

Note 4 – Deposits and Investments

The Erie County Commissioners, as fiscal agent for the Council, maintain a cash and investments pool used by all of Erie County Commissioner’s funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments and the Erie County Treasurer is responsible for compliance. The carrying amount of deposits and investments at December 31, 2018 was \$105,794.

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

Note 5 – Risk Management

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

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 6 – Defined Benefit Pension Plan

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

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

Note 7 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

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 – Deficit Fund Balances

The Strong Families Grant Fund reported a deficit fund type balance at December 31, 2018 in the amount of \$20,661. The deficit fund balances resulted from timing differences associated with the disbursement of funds prior to receipt of reimbursements from grantor agencies. The General Fund is liable for any deficits in the Strong Families Grant Fund and can provide transfers when cash is required.

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

| | General | Special Revenue | Totals (Memorandum Only) |
|---|------------------|----------------------------|---|
| Cash Receipts | | | |
| Intergovernmental | \$60,990 | \$263,983 | \$324,973 |
| Charges for Services | 13,400 | | 13,400 |
| <i>Total Cash Receipts</i> | <u>74,390</u> | <u>263,983</u> | <u>338,373</u> |
| Cash Disbursements | | | |
| Personal Services | 25,025 | 1,011 | 26,036 |
| Contractual Services | 43,160 | 202,323 | 245,483 |
| Advertising and Printing | 515 | | 515 |
| Travel Reimbursements | | 4,455 | 4,455 |
| Supplies and Materials | 1,337 | 8,472 | 9,809 |
| Return of Monies | 8,856 | | 8,856 |
| <i>Total Cash Disbursements</i> | <u>78,893</u> | <u>216,261</u> | <u>295,154</u> |
| <i>Net Change in Fund Cash Balances</i> | (4,503) | 47,722 | 43,219 |
| <i>Fund Cash Balances, January 1</i> | <u>118,802</u> | <u>(9,475)</u> | <u>109,327</u> |
| Fund Cash Balances, December 31: | | | |
| Restricted | | 38,247 | 38,247 |
| Assigned | 1,066 | | 1,066 |
| Unassigned | 113,233 | | 113,233 |
| <i>Fund Cash Balances, December 31</i> | <u>\$114,299</u> | <u>\$38,247</u> | <u>\$152,546</u> |

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

Erie County Family and Children First Council

Erie 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 Rev. Code Section 5153.15;
6. The Superintendent of the County Board of Developmental Disabilities or if the Superintendent serves as Superintendent as more than one County Board of Developmental Disabilities, the Superintendent's designee;
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 Rev. 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

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2017

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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) which is organized on a fund type 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.

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2017

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Council had the following significant Special Revenue Funds:

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

Strong Families Grant Fund This fund receives state grant monies restricted for the purpose of the grant provisions.

Administrative/Fiscal Agent

Ohio Rev. 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 Erie County Commissioners. The Council authorizes the Erie County Commissioners, as fiscal agent and administrative agent, to subcontract with, designate, and/or seek assistance from any agencies and/or organizations that it deems necessary in order to complete the obligations set forth in the agreement. The Erie County Commissioners agree to be ultimately responsible for fulfilling the fiscal and administrative obligations of the agreement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

Budgetary Process

A Family and Children First Council established under Ohio Rev. Code Section 121.37 is not a taxing authority and is not subject to Ohio Rev. 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 Erie County Commissioners as required by Ohio law.

Appropriations The Council annually approves an appropriation measure and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission approves estimated resources.

Encumbrances The Council reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2017

Deposits and Investments

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

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 upon leaving employment, employees are entitled to cash payments 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.

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2017

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

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2017, follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|-------------------|-----------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$90,687 | \$74,390 | (\$16,297) |
| Special Revenue | 433,741 | 263,983 | (169,758) |
| Total | \$524,428 | \$338,373 | (\$186,055) |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$79,123 | \$79,959 | (\$836) |
| Special Revenue | 83,580 | 267,244 | (183,664) |
| Total | \$162,703 | \$347,203 | (\$184,500) |

Note 4 – Deposits and Investments

The Erie County Commissioners, as fiscal agent for the Council, maintain a cash and investments pool used by all of Erie County Commissioner's funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments and the Erie County Treasurer is responsible for compliance. The carrying amount of deposits and investments at December 31, 2017 was \$152,546.

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

Note 5 – Risk Management

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

Erie County Family and Children First Council

Erie County

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 6 – Defined Benefit Pension Plan

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10 percent of their gross salaries and the Council contributed an amount equaling 14 percent of participants' gross salaries. 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 include 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

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.



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Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Erie County Family and Children First Council
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870

To 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 Erie County Family and Children First Council, Erie County, Ohio (the Council) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 18, 2019 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 2018-001 to be a material weakness.

Compliance and Other Matters

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

Council's Response to Finding

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.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

November 18, 2019

**ERIE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
ERIE COUNTY**

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

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

FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

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.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018 were identified:

- General Fund intergovernmental receipts in the amount of \$7,864 were incorrectly classified as charges for services receipts;
- General Fund Type appropriation authority was decreased in the amount of \$35,637 in order to bring the amount reported in the notes to the financial statements in line with authorized budget amounts;
- Special Revenue Fund Type restricted fund balance of \$20,661 was reclassified to assigned (deficit) in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Special Revenue Fund Type appropriation authority and budgetary expenditures were decreased in the amounts of \$102,100 and \$60,187, respectively, in order to bring the amounts reported in the notes to the financial statements in line with authorized budget and actual amounts.

For the year ended December 31, 2017 General Fund Type and Special Revenue Fund Type appropriation authority were decreased in the amounts of \$26,566 and \$90,611, respectively, in order to bring the amounts reported in the notes to the financial statements in line with authorized budget amounts.

These errors were not identified and corrected prior to the Council preparing its financial statements and notes to the financial statements due to deficiencies in the Council's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. An additional error in a smaller relative amount was also noted for the year ended December 31, 2018.

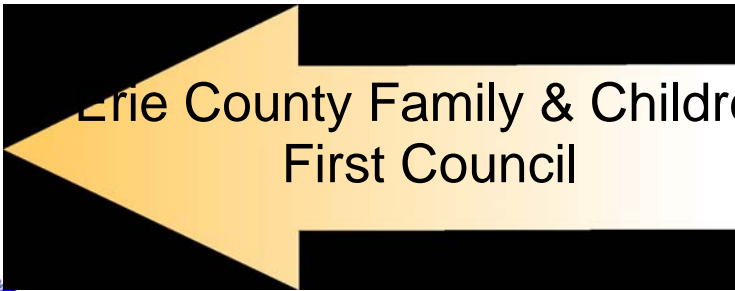
To help ensure the Council's financial statements and notes to the financial statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Council and its administrative / fiscal agent to help identify and correct errors and omissions. The Council can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

**FINDING NUMBER 2018-001
(CONTINUED)**

Officials' Response:

The Erie County Family and Children First Council will be taking a number of steps in an effort to avoid errors in financial reporting that were found in the current audit as well as in two previous audits. First, we will be creating department numbers that alternate by state fiscal year for each of our grant accounts. This change will help us to separate receipts and expenses into the appropriate grant years. Second, when completing the year-end Hinkle report, our Finance Department will communicate a draft of the report to the State Auditor's office before final submission in order to ensure all funds are reported appropriately. Third, the classification of receipts will be determined when they are received and then double-checked for accuracy monthly. Fourth, we will discuss with other departments within the County who have been successful in maintaining acceptable accounting records within the calendar year system the auditor's office provides but reporting on the required fiscal year. Lastly, we are currently working with our Legal Counsel (the Prosecutor's Office) to explore options to ensure proper approval of budgetary amendments.



Improving the Quality of Family Life in Erie County

**ERIE COUNTY FAMILY AND CHILDREN FIRST COUNCIL
ERIE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|--|--|---|
| 2016-001 | First reported in 2014. Material Weakness for errors in financial reporting. | Not corrected and reissued as Finding 2018-001 in this report. | This error occurred due to deficiencies in the Council's internal controls over financial reporting. The Erie County Family and Children First Council will be taking a number of steps in an effort to avoid errors in financial reporting that were found in the current audit as well as in two previous audits. First, we will be creating department numbers that alternate by state fiscal year for each of our grant accounts. This change will help us to separate receipts and expenses into the appropriate grant years. Second, when completing the year-end Hinkle report, our Finance Department will communicate a draft of the report to the State Auditor's office before final submission in order to ensure all funds are reported appropriately. Third, the classification of receipts will be determined when they are received and then double-checked for accuracy monthly. Fourth, we will discuss with other departments within the County who have been successful in maintaining acceptable accounting records within the calendar year system the auditor's office provides but reporting on the required fiscal year. Lastly, we are currently working with our Legal Counsel (the Prosecutor's Office) to explore options to ensure proper approval of budgetary amendments. |

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OHIO AUDITOR OF STATE KEITH FABER



ERIE COUNTY FAMILY AND CHILDREN FIRST COUNCIL

ERIE 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 5, 2019**