

Highland County Family & Children First Council
Highland County
Regular Audit
For the Fiscal Years Ended December 31, 2014 and 2013



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Dave Yost • Auditor of State

Members of the Board
Highland County Family & Children First Council
1575 North High Street
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of the Highland County Family & Children First Council, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The District purchased \$3,000 in Walmart gift cards during 2013-2014 to be given as payment to parent representatives for attending Family & Children First Council and Early Childhood Collaborative Committee meetings. Of the \$3,000 in gift cards purchased, \$575 in Walmart gift cards are unaccounted for. As the Coordinator of the Family & Children First Council, Danielle Ratcliff has the responsibility of safekeeping of the gift cards.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public property which has been converted or misappropriated is hereby issued against Danielle Ratcliff in the amount of \$575, and in favor of the Highland County Family & Children First Council.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Highland County Family & Children First Council is responsible for compliance with these laws and regulations.

Members of the Board
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A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 13, 2016

Highland County Family & Children First Council
Highland County
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For the Fiscal Years Ended December 31, 2014 and 2013

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Independent Auditor's Report

Members of the Board
Highland County Family & Children First Council
1575 North High Street
Hillsboro, Ohio 45133

Report on the Financial Statements

We have audited the accompanying financial statements and the related notes of Highland County Family & Children First Council, (the Council), as of and for the years ended December 31, 2014 and 2013.

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 opinion.

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

As described in Note 1 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 described in Note 1 and GAAP are not reasonably determinable, we are 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, 2014 and 2013, or 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 combined cash balances of Highland County Family & Children First Council, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

November 30, 2015

Highland County Family and Children First Council
Highland County

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2014

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$15,750	\$206,028	\$221,778
Donations	0	2,500	2,500
Miscellaneous	0	5,047	5,047
Total Cash Receipts	15,750	213,575	229,325
Cash Disbursements:			
Contractual Services	18,000	32,922	50,922
Administration	5,859	0	5,859
Salaries and Benefits	0	132,319	132,319
Supplies	0	2,413	2,413
Travel and Training	0	6,703	6,703
Miscellaneous	0	2,768	2,768
Total Cash Disbursements	23,859	177,125	200,984
Total Receipts Over Disbursements	(8,109)	36,450	28,341
Fund Cash Balances, January 1	21,272	91,722	112,994
Fund Cash Balances, December 31			
Restricted	0	128,172	128,172
Unassigned	13,163	0	13,163
Fund Cash Balances, December 31	\$13,163	\$128,172	\$141,335

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

Highland County Family and Children First Council
Highland County

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2013

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$15,750	\$204,326	\$220,076
Miscellaneous	0	13,461	13,461
Total Cash Receipts	15,750	217,787	233,537
Cash Disbursements:			
Contractual Services	18,000	51,320	69,320
Administration	5,651	0	5,651
Salaries and Benefits	0	134,346	134,346
Supplies	0	2,171	2,171
Travel and Training	0	8,062	8,062
Miscellaneous	0	3,329	3,329
Total Cash Disbursements	23,651	199,228	222,879
Total Receipts Under Disbursements	(7,901)	18,559	10,658
Fund Cash Balances, January 1, As Restated (Note 7)	29,173	73,163	102,336
Fund Cash Balances, December 31			
Restricted	0	91,722	91,722
Unassigned	21,272	0	21,272
Fund Cash Balances, December 31	<u>\$21,272</u>	<u>\$91,722</u>	<u>\$112,994</u>

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

Highland County Family and Children First Council
Highland County

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 1 - Reporting Entity/Summary of Significant Accounting Policies

A. Description of the Entity

Ohio Revised 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:

- a. 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;
- b. 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;
- c. 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;
- d. The Director of the County Department of Job and Family Services;
- e. 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;
- f. 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;
- g. The Superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the County, as determined by the Ohio Department of Education, which shall notify each County of its determination at least biennially;
- h. A School Superintendent representing all other school districts with territory in the County, as designated at a biennial meeting of the superintendents of those districts;
- i. A representative of the municipal corporation with the largest population in the County;
- j. The President of the Board of County Commissioners or an individual designated by the Board;
- k. A representative of the regional office of the Ohio Department of Youth Services;
- l. A representative of the County's Head Start agencies, as defined in Ohio Revised Code Section 3301.32;
- m. 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
- n. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

Highland County Family and Children First Council
Highland County

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 1 - Reporting Entity/Summary of Significant Accounting Policies (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:

- a. Referrals to the Cabinet Council of those children for whom the County Council cannot provide adequate services;
- b. 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;
- c. 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”;
- d. Maintenance of an accountability system to monitor the County Council’s progress in achieving results for families and children; and
- e. Establishment of a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Council consists of all funds, departments, and activities that are not legally separate from the Council. They comprise the Council’s legal entity which provides services including human, social, health and education to families and children.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization’s governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization’s resources; the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Council in that the Council approves the budget, the issuance of debt, or the levying of taxes. The Council has no component units.

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

Highland County Family and Children First Council
Highland County

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 1 - Reporting Entity/Summary of Significant Accounting Policies (Continued)

C. 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.

D. 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 Council classifies its funds into the following types:

General Fund – The General Fund is the operating fund of the Council. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund – These funds are used to account for and report specific sources (other than from trusts or for capital projects) that are restricted or committed to expenditure for specified purposes. The Council had the following significant Special Revenue Fund:

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

E. 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 has selected the Highland County Commissioners. The Council authorizes the Highland County Auditor as fiscal agent and the Highland County Commissioners as 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 Highland County Auditor and Highland County Commissioners agree to be ultimately responsible for fulfilling the fiscal and administrative obligations respectively, of the agreement.

F. 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 Highland County Auditor as required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 2.

Highland County Family and Children First Council
Highland County

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 1 - Reporting Entity/Summary of Significant Accounting Policies (Continued)

G. Cash and Investments

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

H. Property, Plant and Equipment

The Council records cash disbursements for acquisitions of property, plant and equipment when paid. These items are not reflected as assets in the accompanying financial statements.

I. 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.

J. Long-Term Debt Obligations

The Council did not have any bonds or other long-term debt obligations.

K. 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 nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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 or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Council, which includes giving the administrative/fiscal agent the authority to constrain monies for intended purposes.

Highland County Family and Children First Council
Highland County

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 1 - Reporting Entity/Summary of Significant Accounting Policies (Continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from the overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 2 - Budgetary Activity

Budgetary activity for the years ending 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,750	\$15,750	\$0
Special Revenue	395,791	213,575	(182,216)
Total	\$411,541	\$229,325	(\$182,216)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,000	\$23,859	\$141
Special Revenue	496,832	177,125	319,707
Total	\$520,832	\$200,984	\$319,848

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,750	\$15,750	\$0
Special Revenue	126,313	217,787	91,474
Total	\$142,063	\$233,537	\$91,474

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,000	\$23,651	\$349
Special Revenue	203,545	199,228	4,317
Total	\$227,545	\$222,879	\$4,666

Highland County Family and Children First Council
Highland County
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 3 - Equity in Pooled Cash and Investments

The Highland County Auditor, as fiscal agent for the Council, maintains a cash and investments pool used by all of the Highland County Auditor's funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments and the Highland County Auditor is responsible for compliance. The carrying amount of deposits and investments at December 31, 2014 and 2013 was \$141,335 and \$112,994, respectively.

The fiscal agent 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 fiscal agent.

Note 4 - Retirement System

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent of annual covered payroll. The Council has paid all contributions required through December 31, 2014.

Note 5 - Risk Management

The Council is covered under the Highland County insurance policy.

Note 6 - Contingent Liabilities

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor. 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 7 - Restatement of Fund Balance

The Home Visit portion of Help Me Grow was inaccurately included in the prior year financial statements. The December 31, 2012 Special Revenue fund balance was adjusted from \$59,157 to \$73,163 as of January 1, 2013 to reflect this correction.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Members of the Board
Highland County Family & Children First Council
1575 North High Street
Hillsboro, Ohio 45133

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Highland County Family & Children First Council (the Council) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2015, wherein we noted the Council followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Council's Responses to Findings

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

November 30, 2015

Highland County Family & Children First Council
Schedule of Findings and Responses
For the Years Ended December 31, 2014 and 2013

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2014-001

Material Weakness – Reporting

Ohio Admin. Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare financial statements. The Council's General (unrestricted) and Special Revenue (restricted) funds that were presented for audit were comingled in one fund in the County's accounting system. In addition, the Council's Help Me Grow fund was not presented in the Council's Annual Financial Report. Furthermore, the Help Me Grow fund in the County's accounting system comingled the Home Visit portion of Help Me Grow, for which the Council has no involvement, with the Help Me Grow funding for which the Council should report. We recommend the Council maintain records to clearly present the Council's financial activity. The records should be sufficiently detailed to identify each of the Council's restricted and unrestricted fund's expenditures by line item. Furthermore, the Council should classify expenditures to aid in proper reporting and reconcile records with the financial information provided by the County Auditor and present financial statements which include all of the Council's financial activity.

Client Response:

The client chose not to respond.

FINDING NUMBER 2014-002

Significant Deficiency – Gift Cards

Sound internal controls over the purchasing process and maintenance of supporting documentation for gift cards is a necessary aspect of the control environment to protect public funds against the risk of loss or theft. It was noted during testing that the Council did not have adequate internal controls over the purchasing and issuing of gift cards to parent representatives. There was one instance of not maintaining a receipt for the purchase of the gift cards. After discussion with the client, it was discovered that the Council issued these cards to parent representatives for attending meetings to avoid issuing tax forms 1099. It was also noted after discussion with the fiscal officer that she would personally purchase gifts cards when needed and then reimburse herself from the next bulk purchase of gift cards made by the Council without any documentation. We recommend the Council implement procedures to account for the issuance of gift cards, such as having parent representatives sign a receipt when they receive a gift card. We also recommend the Council maintain proper supporting documentation for the purchase of gift cards. Furthermore, we recommend the Council track all gift cards distributed by parent representative and issue the proper tax form 1099 for amounts in excess of \$600 in one year. We also recommend that the Council implement the use of reimbursement forms and maintain documentation to support any reimbursements made by the Council to the fiscal officer for personally purchased items.

Client Response:

The client chose not to respond.



Dave Yost • Auditor of State

HIGHLAND COUNTY FAMILY AND CHILDREN FIRST COUNCIL

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 26, 2016