<table>
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</thead>
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</tbody>
</table>
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Appalachian Family and Children First Council  
Lawrence County  
604 Carlton Davidson Drive  
Coal Grove, Ohio 45638  

To the Family and Children First Council:

As you are aware, the Auditor of State’s Office (AOS) must modify the Independent Accountants’ Report we provide on your financial statement due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

Dave Yost  
Auditor of State  

February 28, 2013
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INDEPENDENT ACCOUNTANTS’ REPORT

Appalachian Family and Children First Council  
Lawrence County  
604 Carlton Davidson Drive  
Coal Grove, Ohio 45638

To the Family and Children First Council:

We have audited the accompanying financial statement of the Appalachian Family and Children First Council, Lawrence County, Ohio (the Council), as of and for the years ended June 30, 2012 and 2011. This financial statement is the responsibility of the Council’s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ Government Auditing Standards. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP requires presenting entity-wide statements and also presenting the Council’s larger (i.e., major) funds separately. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended June 30, 2012 and 2011 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2012 and 2011, or its changes in financial position for the years then ended.
Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the fund cash balance as of June 30, 2012 and 2011 of the Appalachian Family and Children First Council, Lawrence County, Ohio, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Appalachian Family and Children First Council adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2013, on our consideration of the Council’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

Dave Yost
Auditor of State
February 28, 2013
APPALACHIAN FAMILY AND CHILDREN FIRST COUNCIL  
LAWRENCE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Receipts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$463,812</td>
<td>$557,306</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>302</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total Cash Receipts</strong></td>
<td>464,114</td>
<td>558,806</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash Disbursements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies and Equipment</td>
<td>447</td>
<td>1,197</td>
</tr>
<tr>
<td>Travel</td>
<td>931</td>
<td>760</td>
</tr>
<tr>
<td>Contract Services</td>
<td>485,719</td>
<td>582,527</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash Disbursements</strong></td>
<td>487,097</td>
<td>584,548</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Excess of Receipts Over (Under) Disbursements</strong></td>
<td>(22,983)</td>
<td>(25,742)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund Cash Balance, July 1</strong></td>
<td>184,126</td>
<td>209,868</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund Cash Balance, June 30</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unassigned (Deficit)</td>
<td>161,143</td>
<td>184,126</td>
</tr>
<tr>
<td><strong>Fund Cash Balance, June 30</strong></td>
<td>$161,143</td>
<td>$184,126</td>
</tr>
</tbody>
</table>

*The notes to the financial statement are an integral part of this statement.*
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1. **Summary of Significant Accounting Policies**

   A. **Description of the Entity**

   Section 127.37, Ohio Revised Code, created the Ohio Family and Children First Cabinet Council permitting counties to establish County Family and Children First Councils. Statutory membership of the Council consists of the following individuals:

   a. At least three individuals whose families are or have received services from an agency which is represented on the Council. If possible, twenty per cent of the Council’s membership should consist of members representing families.

   b. The Director of the Community Mental Health Board.

   c. The Director of the County Alcohol, Drug Addiction and Mental Health Services Board. For counties served by a joint Alcohol, Drug Addiction and Mental Health Board, the Joint Board’s Director must designate a member to participate on the County’s Council.

   d. A representative from each City Board of Health and General Board of Health District in the County. If there are more than two health districts, then the membership is limited to the commissioners of the two districts with the largest populations.

   e. The Director of the County Department of Human Services.

   f. The Executive Director of the County Children’s Services Board.

   g. The Superintendent for the County Board of Mental Retardation and Developmental Disabilities.

   h. The Superintendent of the City, Exempted Village, or Local School District with the largest number of pupils residing in the County.

   i. The School Superintendent representing all other School Districts within the territory in the County, as designated at a biennial meeting of the Superintendents in those districts.

   j. A representative of the Municipal Corporation with the largest population in the County.

   k. The Chair of the Board of County Commissioners or a designee.

   l. A representative from the regional office of the Ohio Department of Youth Services.

   m. A representative of the County’s Head Start agencies.

   n. A representative of the County’s Early Intervention Collaborative.

   o. A representative of the 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.

A County Council’s statutory responsibilities include the following:

a. Refer to the Cabinet Council those children whom the Council cannot provide adequate services;

b. Make periodic reports to the Cabinet Council regarding the number of children referred to the County Council and the progress made in meeting the needs of each child;

c. Develop a plan that reviews and adjusts existing programs, fills service gaps where possible, or invents new approaches to achieve better results for families and children;

d. Maintain an accountability system to monitor the Council’s progress in achieving its purpose;

e. Establish a mechanism to ensure ongoing input from a broad representative of families who are receiving services within the County system;

f. Participate in the development of a County Wide, comprehensive, coordinated, multi-disciplinary, interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the Department of Health for early intervention services under the “Individuals with Disabilities Education Act of 2004”.

B. Accounting Basis

This financial statement follows the accounting basis the Auditor of State prescribes or permits. 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.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Administrative and Fiscal Agents

The Lawrence County Board of Developmental Disabilities is the administrative agent for the Council with Lawrence County acting as the Council’s fiscal agent. The Council made contributions totaling $156,689 and $137, respectively, in fiscal year 2012 and 2011 to the Lawrence County Board of Developmental Disabilities for office costs and contract services.
1. Summary Of Significant Accounting Policies (Continued)

D. Cash

The Council’s cash is maintained by Lawrence County, its statutory fiscal agent. The Ohio Revised Code prescribes allowable deposits, and Lawrence County is responsible for compliance. As of June 30, 2012 and 2011, the Council’s share of Lawrence County’s cash pool was as follows:

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposits</td>
<td>$161,143 $184,126</td>
</tr>
</tbody>
</table>

E. Budgetary Process

The Council files an annual estimate of expenditures with the Lawrence County Board of Developmental Disabilities and Lawrence County as required by state law. The Lawrence County Auditor inputs these appropriations into the system and monitors that the Council’s expenditures do not exceed appropriations.

F. 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:

1. **Nonspendable**

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

2. **Restricted**

   Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

   The Council can *commit* amounts via formal action (resolution). The Council must adhere to these commitments unless the Council Members amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
1. Summary Of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by Council or a Council official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification and includes amounts not included in the other classifications.

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.

G. Property, Plant, and Equipment

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

2. Change in Accounting Principle

For fiscal year 2011, the Council implemented Governmental Accounting Standard Board (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. The implementation of GASB Statement No. 54 had no effect on fund balances previously reported.

3. 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.

4. Risk Management

The Council has obtained liability insurance through its administrative agent’s umbrella policy.
INDEPENDENT ACCOUNTANTS’ REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Appalachian Family and Children First Council
Lawrence County
604 Carlton Davidson Drive
Coal Grove, Ohio 45638

To the Family and Children First Council:

We have audited the financial statement of the Appalachian Family and Children First Council, Lawrence County, Ohio (the Council), as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated February 28, 2013, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and adopted the provisions of Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of opining on the effectiveness of the Council’s internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council’s internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Council’s financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.
Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated February 28, 2013.

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

Dave Yost
Auditor of State

February 28, 2013
### Schedule of Prior Audit Findings

**June 30, 2012 and 2011**

<table>
<thead>
<tr>
<th>Finding Number</th>
<th>Finding Summary</th>
<th>Fully Corrected?</th>
<th>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <em>Explain</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-001</td>
<td>Material Weakness due to contractual expenditures being understated by material amounts on original financial statement.</td>
<td>Yes</td>
<td></td>
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APPALACHIAN FAMILY AND CHILDREN FIRST COUNCIL

LAWRENCE 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
MARCH 26, 2013