



Dave Yost • Auditor of State

APPALACHIAN FAMILY AND CHILDREN FIRST COUNCIL
LAWRENCE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Family and Children First 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 Appalachian Family and Children First Council, Lawrence County, (the Council) as of and for the years ended June 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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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 June 30, 2016 and 2015, 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 Appalachian Family and Children First Council, Lawrence County as of June 30, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 4, 2017

Appalachian Family and Children First Council
Lawrence County, Ohio
Statement of Cash Receipts, Cash Disbursements
And Changes in Fund Balances (Regulatory Cash Basis)
General Fund
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Receipts		
Intergovernmental	\$196,529	\$240,656
Miscellaneous	10,000	0
<i>Total Cash Receipts</i>	<u>206,529</u>	<u>240,656</u>
Cash Disbursements		
Contractual Services	118,499	135,618
Travel Reimbursements	3,507	3,088
Supplies and Materials	873	995
Other	0	183
<i>Total Cash Disbursements</i>	<u>122,879</u>	<u>139,884</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>83,650</u>	<u>100,772</u>
<i>Fund Cash Balances, January 1</i>	<u>258,269</u>	<u>157,497</u>
Fund Cash Balances, December 31:		
Nonspendable	0	0
Restricted	0	0
Committed	0	0
Assigned	0	0
Unassigned (Deficit)	<u>341,918</u>	<u>258,269</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$341,918</u></u>	<u><u>\$258,269</u></u>

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

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Appalachian Family and Children First Council

Lawrence County

Notes to the Financial Statements

For the Years Ended June 30, 2016 and 2015

Note 1 – Reporting 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:

1. At least three individuals representing the interest of families in the County. Where possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership;
2. The Director of the Board of Alcohol, Drug Addiction, and Mental Health Services that serves the County, or, in the case of a County that has a Board of Alcohol and Drug Addiction Services and a Community Mental Health Board, the Directors of both Boards. If a Board of Alcohol, Drug Addition, and Mental Health Services covers more than one County, the Director may designate a person to participate on the County's Council;
3. The Health Commissioner, or the Commissioner's designee, of the Board of Health of each City or General Health District in the County. If the County has two or more health districts, the Health Commissioner membership may be limited to the Commissioners of the two districts with the largest populations;
4. The Director of the County Department of Job and Family Services;
5. The Executive Director of the public children services agency or the County agency responsible for the administration of children services pursuant to the Ohio Revised Code Section 5153.15;
6. The Superintendent of the County Board of Developmental Disabilities or if the Superintendent serves as Superintendent 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 Revised Code Section 3301.32;

Appalachian Family and Children First Council

Lawrence County

Notes to the Financial Statements

For the Years Ended June 30, 2016 and 2015

13. A representative of the County's Early Intervention collaborative established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Education Act of 2004"; and
14. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

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

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

1. Referrals to the Cabinet Council of those children for whom the County Council cannot provide adequate services;
2. Development and implementation of a process that annually evaluates and prioritizes services, fills service gaps where possible, and invents new approaches to achieve better results for families and children;
3. Participation in the development of a countywide, comprehensive, coordinated, multi-disciplinary interagency system for infants and toddlers with developmental disabilities or delays and their families, as established pursuant to federal grants received and administered by the Department of Health for early intervention services under the "Individuals with Disabilities Education Act of 2004";
4. Maintenance of an accountability system to monitor the County Council's progress in achieving results for families and children; and
5. Establishment of a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The fund of the Council is presented below:

Appalachian Family and Children First Council

Lawrence County

Notes to the Financial Statements

For the Years Ended June 30, 2016 and 2015

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.

Administrative/Fiscal Agent

Ohio Revised Code Section 121.37(B)(5)(a) requires the Council to select an administrative agent to provide fiscal and administrative services to the Council. The Council selected the Lawrence County Board of Developmental Disabilities. The Council authorizes Lawrence County, as fiscal agent and Lawrence County Board of Developmental Disabilities 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. Lawrence County and the Lawrence County Board of Developmental Disabilities agree to be ultimately responsible for fulfilling the fiscal and administrative obligations of the agreement.

Basis of Accounting

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

A Family and Children First Council established under Ohio Revised Code Section 121.37 is not a taxing authority and is not subject to Ohio Revised Code Chapter 5705. As of October 1, 1997, all Family and Children First Councils are required to file an annual budget with its administrative agent. The Council files an estimate of expenditures with the Lawrence County Board of Developmental Disabilities and Lawrence County as required by Ohio law. The Lawrence County Auditor inputs these appropriations into the system and monitors that the Council's expenditures do not exceed appropriations.

Deposits and Investments

The Council designated the Lawrence County Auditor as the fiscal agent for all funds received in the name of the Council. Deposits of monies are made with the Lawrence County Treasurer and fund expenditures and balances are reported through the Lawrence 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.

Appalachian Family and Children First Council

Lawrence County

Notes to the Financial Statements

For the Years Ended June 30, 2016 and 2015

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.

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 – Deposits and Investments

Lawrence County, as fiscal agent for the Council, maintains a cash and investments pool used by all of Lawrence County’s funds, including those of the Council. The Ohio Revised Code prescribes allowable deposits and investments and Lawrence County is responsible for compliance. The carrying amount of deposits and investments at June 30 was as follows:

	<u>2016</u>	<u>2015</u>
Demand deposits	\$341,918	\$258,269

Appalachian Family and Children First Council

Lawrence County

Notes to the Financial Statements

For the Years Ended June 30, 2016 and 2015

This 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 – Risk Management

Commercial Insurance

The Council Coordinator has liability insurance under the Lawrence County Board of Developmental Disabilities. An annual premium has been paid to the Lawrence County Board of Developmental Disabilities.

Note 5 – Contingent Liabilities

The Council is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Council's financial condition.

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 6 – Subsequent Events

Prior years Lawrence County Board of Development Disabilities Help Me Grow funding was not given to the Board and was kept in the Council's balances. Funds in the amount of \$251,642.34 were transferred to the Board in December 2016.

The Ohio Mental Health and Addiction Services performed a review of FCSS funds. They have determined that \$28,876.71 needs to be returned to them for funds that were not appropriately used.

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INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Appalachian Family and Children First Council, Lawrence County, (the Council) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated October 4, 2017 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 opinion 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 2016-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 4, 2017

**APPALACHIAN FAMILY AND CHILDREN FIRST COUNCIL
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

Stephen Todd Jones had a contract with the Appalachian Family and Children First Council (the Council) to provide coordination services for 2015. His 2015 contract was approved on June 27, 2014 and allowed for a maximum of 1,365 hours at a rate of \$15 per hour for a total contract amount of \$20,475. The total amount paid to Mr. Jones during 2015 was \$31,684.98. There was no evidence the Council approved an amendment to his contract or additional pay. Therefore, Mr. Jones was overpaid a total of \$11,209.98 in 2015.

Mr. Jones also had a contract with the Council to provide coordination services for 2016. His 2016 contract was approved on June 30, 2015 and allowed for a maximum of 1,875 hours at a rate of \$16 per hour for a total contract amount of \$30,000. The total paid to Mr. Jones during 2016 was \$32,556. There was no evidence the Council approved an amendment to his contract or additional pay. Therefore, Mr. Jones was overpaid a total of \$2,556 in 2016.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Stephen Todd Jones, Former Council Coordinator, in the amount of \$13,765 and in favor of the Appalachian Family and Children First Council.

FINDING NUMBER 2016-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The financial statement filed by the Council on the HINKLE system did not include all of the activity accounted for by the County Auditor in their accounting system. The following conditions were found:

In 2015

- The County records indicated that the Council had received \$18,260 more in Intergovernmental receipts than was indicated in the HINKLE system filing.
- The County records indicated that the Council had \$26,632 more cash disbursements than was indicated in the HINKLE system filing. There were also corrections in the classifications of these disbursements to agree to the County Auditor accounting system.
- The HINKLE system filing showed a July 1, 2014 fund balance for the Council of \$40,304. The County records and the prior audit report showed a fund balance of \$157,497.

**FINDING NUMBER 2016-002
(Continued)**

- The HINKLE system filing showed a June 30, 2015 fund balance for the Council of \$68,839. The County records showed a fund balance of \$258,269.

In 2016

- A reclassification of \$10,000 was recorded in the financial statements to decrease Intergovernmental receipts and increase Miscellaneous receipts to agree the financial statements to the County Auditor accounting system.
- The County records indicated that the Council had \$488 more cash disbursements than was indicated in the HINKLE system filing. There were also corrections in the classification of these disbursements to agree to the County Auditor accounting system.
- The HINKLE system filing showed a July 1, 2015 fund balance for the Council of \$68,839. The County records showed a fund balance of \$258,269.
- The HINKLE system filing showed a June 30, 2016 fund balance for the Council of \$15,398. The County records showed a fund balance of \$341,918.

The Council has corrected the audited financial statements.

Failure to include all activity in the Council's filed financial statements could result in users of these statements to receive incorrect information regarding the financial condition of the Council.

We recommend that all the activity of the Council as recorded on the County's ledgers be included in the financial statements filed on the HINKLE system.

Officials' Response:

We did not receive a response from Officials to these Findings.



Dave Yost • Auditor of State

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
OCTOBER 17, 2017