



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance - For the Years Ended June 30, 2010 and 2009	5
Notes to the Financial Statement.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

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Mary Taylor, CPA
Auditor of State

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 is 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 30, 2010

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Mary Taylor, CPA

Auditor of State

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, 2010 and 2009. 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 statements do 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, 2010 and 2009 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, 2010 and 2009, 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 cash balance of the Appalachian Family and Children First Council, Lawrence County, Ohio, as of June 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 30, 2010

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash Receipts:		
Intergovernmental	\$ 606,877	\$ 773,981
Total Cash Receipts	606,877	773,981
Cash Disbursements:		
Supplies and Equipment	1,245	629
Travel	1,176	1,752
Contract Services	811,928	519,909
Miscellaneous	121	433
Total Cash Disbursements	<u>814,470</u>	<u>522,723</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>(207,593)</u>	<u>251,258</u>
Cash Balance - Beginning of Year	<u>417,461</u>	<u>166,203</u>
Cash Balance - End of Year	<u><u>\$ 209,868</u></u>	<u><u>\$ 417,461</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2010 AND 2009**

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 numbers 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.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

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

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. Basis of Accounting

This financial statement follows the basis of accounting 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.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2010 AND 2009
(Continued)**

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, 2010 and 2009, the Council's share of Lawrence County's cash pool was as follows:

	2010	2009
Demand deposits	<u>\$ 209,868</u>	<u>\$ 417,461</u>

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. This estimate is adopted by the Council. The Lawrence County Auditor inputs these appropriations into the system and monitors that the Council's expenditures do not exceed appropriations.

2. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Council are subject to audit and adjustment by 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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Mary Taylor, CPA

Auditor of State

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, 2010 and 2009, and have issued our report thereon dated December 30, 2010 wherein we noted the Council prepared its financial statement using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 statements, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying Schedule of Findings to be a material weakness.

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 also noted certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated December 30, 2010.

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 30, 2010

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

**SCHEDULE OF FINDINGS
JUNE 30, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Material Weakness

As a result of the audit procedures performed, the financial statement had the following error that required an audit adjustment:

- Contractual expenditures were understated by \$347,926. We had to increase the financial statement by this amount in order to make the financial statement agree to the accounting records and to ensure the ending cash balance agreed to the accounting records.

The Council's financial report that is submitted to the Auditor of State is created by the Council's Administrative Agent, the Lawrence County Department of Developmental Disabilities. There was an error made when comprising the financial statement and the expenditures in 2010 were understated by the amount stated above. The Council's Administrative Agent did not reconcile the amounts reported on the financial statement with the accounting records maintained by the Lawrence County Auditor's office, which is the Council's fiscal agent. This resulted in the error noted above.

To ensure the Council's financial statement is complete and accurate, the Council should adopt policies and procedures, including a final review of the statements and notes by the Council Coordinator and Council Administrative Agent to identify and correct errors or omissions.

Officials' Response: Officials did not respond to this finding.

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Mary Taylor, CPA
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
JANUARY 18, 2011**