



Dave Yost • Auditor of State

**THE EMPLOYMENT CONNECTION
HOCKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

The Employment Connection
Hocking County
1369 E. Front Street
Logan, Ohio 43138

To the Council:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balances, receipts and disbursements and related notes of The Employment Connection, Hocking County, Ohio ("TEC"), as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 this financial statement 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 statement is 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 TEC'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 TEC'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 1 of the financial statement, TEC prepared the financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the TEC does not intend this statement 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 § 117.38 and Ohio Administrative Code § 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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of TEC as of December 31, 2015 and 2014, or changes in financial position thereof, for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of The Employment Connection, Hocking County, Ohio, as of December 31, 2015 and 2014, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 7 to the financial statements, TEC has suffered recurring losses from operations and, without obtaining operating loans, would report a net position deficiency. Note 7 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2016, on our consideration of TEC'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 TEC's internal control over financial reporting and compliance.

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Dave Yost
Auditor of State
Columbus, Ohio

June 6, 2016

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**THE EMPLOYMENT CONNECTION
HOCKING COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Cash Receipts		
Intergovernmental - Federal	\$245,024	\$355,567
Intergovernmental - State	833	0
Intergovernmental - County	575,029	1,016,479
Miscellaneous	1,314	7,710
<i>Total Cash Receipts</i>	822,200	1,379,756
Cash Disbursements		
Salaries and Benefits	676,558	972,578
Grant Expenses	140,311	193,926
Transportation	5,195	1,422
Professional Services	25,919	35,539
Occupancy	23,019	21,853
Training	1,625	205
Insurance	4,991	6,474
Miscellaneous Fees	1,042	586
Telephone	3,355	5,036
Office Expense	703	691
Supplies	3,458	2,003
Dues/Publications	1,483	972
Travel	20,416	39,352
Repayment on Perry County Loan	40,000	0
<i>Total Cash Disbursements</i>	948,075	1,280,637
<i>Excess of Receipts Over (Under) Disbursements</i>	(125,875)	99,119
<i>Fund Cash Balances, January 1</i>	156,355	57,236
Fund Cash Balances, December 31		
Unassigned	30,480	156,355
<i>Fund Cash Balances, December 31</i>	\$30,480	\$156,355

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

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**THE EMPLOYMENT CONNECTION
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Employment Connection Hocking County, Ohio (the "TEC") is a Regional Council of Governments pursuant to Chapter 167 of the Ohio Revised Code. The Council is comprised of a six member Board, appointed by the member counties. TEC provides employment services to persons with developmental disabilities in its respective counties. TEC includes Perry, Fairfield, and Hocking County.

TEC's management believes this financial statement presents all activities for which TEC is financially accountable.

B. Accounting Basis

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. TEC 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Administrative Agent

The Mid-East Ohio Regional Council is the administrative agent for TEC. TEC made contributions totaling \$17,244 and \$17,078, respectively, in 2015 and 2014 to the Mid-East Ohio Regional Council for office costs and contract services.

D. Deposits

TEC had one primary, interest-bearing checking account during the period.

E. Fund Accounting

TEC classifies its fund as a General Fund. The General Fund is a general operating fund. It is used to account for all of TEC's financial activity.

F. Fund Balance

Fund balance is classified as unassigned as there are no constraints imposed upon the use of its governmental fund resources. Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications.

TEC 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.

**THE EMPLOYMENT CONNECTION
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2015	2014
Demand deposits	\$30,480	\$156,355

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation. .

3. Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Perry County Loan	\$38,000	0%

TEC obtained a loan of \$78,000 from the Perry County Board of Developmental Disabilities in June 2013. The loan was to be used to cover cash flow issues at TEC. The Loan is uncollateralized and contains no set repayment schedule or covenants.

4. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and TEC contributed an amount equaling 14% of participants' gross salaries. TEC has paid all contributions required through December 31, 2015.

5. Risk Management

Commercial Insurance

TEC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**THE EMPLOYMENT CONNECTION
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. Contingent Liabilities

Amounts grantor agencies pay to TEC 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.

7. Going Concern/Subsequent Events

TEC obtained an operating loan from Perry County Board of Developmental Disabilities in 2013. At December 31, 2015, the outstanding balance of this loan was \$38,000, exceeding the December 31, 2015 fund cash balance of \$30,480. In the absence of this operating loan, TEC would have a negative fund balance.

In addition, on March 9, 2016, TEC obtained an additional operating loan from Hocking County for \$20,000 to cover operating costs. TEC has attempted to reduce this negative condition by bringing in additional counties into TEC coverage area to help boost revenues. TEC has also reduced some staffing positions and monitored disbursements to reduce costs. TEC has approved a five year plan to reduce subsidies from area counties and become more self-sustaining.

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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*

The Employment Connection
Hocking County
1369 E. Front Street
Logan, Ohio 43138

To the Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of The Employment Connection, Hocking County, Ohio ("TEC"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statement, and have issued our report thereon dated June 6, 2016, wherein we noted TEC followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit and, wherein we noted TEC has suffered recurring losses from operations and, without obtaining operating loans, would report a net position deficiency..

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered TEC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of TEC'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 TEC'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

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 TEC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering TEC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Dave Yost
Auditor of State
Columbus, Ohio

June 6, 2016



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THE EMPLOYMENT CONNECTION

HOCKING 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
JUNE 21, 2016