



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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APPALACHIAN FAMILY AND CHILDREN FIRST COUNCIL
LAWRENCE COUNTY

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare a financial statement 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 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.

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Betty Montgomery
Auditor of State

January 3, 2007

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Auditor of State Betty Montgomery

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, 2006 and 2005. 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.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statement. Since this Council does not use GAAP to measure financial statement amounts, 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, 2006 and 2005 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, 2006 and 2005, 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, as of June 30, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the years ended June 30, 2006 and 2005. 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 January 3, 2007 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.



Betty Montgomery
Auditor of State

January 3, 2007

**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, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Cash Receipts:		
Intergovernmental	\$ 825,020	\$ 814,328
Total Cash Receipts	825,020	814,328
Cash Disbursements:		
Salaries and Benefits	39,730	39,730
Supplies and Equipment	1,527	2,804
Travel	4,001	1,770
Worker's Compensation	943	723
Contract Services	699,869	850,498
Other Cash Disbursements	1,331	184
Total Cash Disbursements	<u>747,401</u>	<u>895,709</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>77,619</u>	<u>(81,381)</u>
Cash Balance - Beginning of Year	<u>159,514</u>	<u>240,895</u>
Cash Balance - End of Year	<u><u>\$ 237,133</u></u>	<u><u>\$ 159,514</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, 2006 AND 2005**

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, 2006 AND 2005
(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 "Education of the Handicapped Act Amendments of 1986".

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 Mental Retardation and 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, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Equity in Pooled 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, 2006 and 2005, the Council's share of Lawrence County's cash pool was as follows:

	2006	2005
Demand deposits	\$ 237,133	\$ 159,514
Total deposits	<u>\$ 237,133</u>	<u>\$ 159,514</u>

E. Budgetary Process

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

2. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 8.5% of their gross salaries. The Council contributed an amount equaling 13.55% of participants' gross salaries. The Council has paid all contributions required through June 30, 2006.

3. 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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**Auditor of State
Betty Montgomery**

**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, 2006 and 2005, and have issued our report thereon dated January 3, 2007, 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. 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 to determine our auditing procedures to express our opinion on the financial statement and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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*. In a separate letter to the Council's management dated January 3, 2007, we reported other matters related to noncompliance we deemed immaterial.

Appalachian Family and Children First Council
Lawrence County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Family and Children First Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 3, 2007



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
FEBRUARY 1, 2007**