



Dave Yost • Auditor of State

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hardin County Family and Children First Council
Hardin County
175 West Franklin Street, Suite 150
Kenton, Ohio 43326

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Hardin County Family and Children First Council, Hardin County, Ohio (the Council), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 December 31, 2012 and 2011, or changes in financial position thereof for the year 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 the Hardin County Family and Children First Council, Hardin County as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Hardin County Family and Children First Council adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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. 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

December 9, 2013

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$16,952	\$123,368	\$140,320
Miscellaneous	5		5
Total Cash Receipts	<u>16,957</u>	<u>123,368</u>	<u>140,325</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	12,524	35,658	48,182
Supplies	175	35	210
Rent and Utilities		7,379	7,379
Contractual Services	1,575	84,375	85,950
Total Cash Disbursements	<u>14,274</u>	<u>127,447</u>	<u>141,721</u>
Excess of Receipts Over (Under) Disbursements	<u>2,683</u>	<u>(4,079)</u>	<u>(1,396)</u>
Other Financing Receipts (Disbursements):			
Transfers In		3,511	3,511
Transfers Out		(3,511)	(3,511)
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	2,683	(4,079)	(1,396)
Fund Cash Balances, January 1	<u>9,140</u>	<u>75,474</u>	<u>84,614</u>
Fund Cash Balances, December 31:			
Restricted		71,395	71,395
Unassigned (Deficit)	11,823		11,823
Fund Cash Balances, December 31	<u>\$11,823</u>	<u>\$71,395</u>	<u>\$83,218</u>

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

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Intergovernmental	\$30,509	\$156,636	\$187,145
Miscellaneous	73	1,260	1,333
Total Cash Receipts	<u>30,582</u>	<u>157,896</u>	<u>188,478</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	21,206	70,961	92,167
Supplies		203	203
Travel and Training	1,033	136	1,169
Rent and Utilities		17,466	17,466
Contractual Services	4,154	76,675	80,829
Miscellaneous	596		596
Total Cash Disbursements	<u>26,989</u>	<u>165,441</u>	<u>192,430</u>
Excess of Receipts Over (Under) Disbursements	<u>3,593</u>	<u>(7,545)</u>	<u>(3,952)</u>
Other Financing Receipts (Disbursements):			
Transfers In		4,243	4,243
Transfers Out		(4,243)	(4,243)
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	3,593	(7,545)	(3,952)
Fund Cash Balances, January 1	<u>5,547</u>	<u>83,019</u>	<u>88,566</u>
Fund Cash Balances, December 31:			
Restricted		75,474	75,474
Unassigned	9,140		9,140
Fund Cash Balances, December 31	<u>\$9,140</u>	<u>\$75,474</u>	<u>\$84,614</u>

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

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the 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 a county council consists of the following individuals:

- a. 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;
- b. 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 Addiction, and Mental Health Services covers more than one County, the Director may designate a person to participate on the County's Council;
- c. The Health Commissioner, or the Commissioner's designee, of the Board of Health of each City and 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;
- d. The Director of the County Department of Job and Family Services;
- e. 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;
- f. The Superintendent of the County Board of Developmental Disabilities;
- g. 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;
- h. 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;
- i. A representative of the municipal corporation with the largest population in the County;
- j. The President of the Board of County Commissioners, or an individual designated by the Board;
- k. A representative of the regional office of the Ohio Department of Youth Services;
- l. A representative of the County's Head Start Agencies, as defined in section 3101.32 of the Revised Code;
- m. 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;
- n. A representative of a local nonprofit entity that funds, advocates, or provides services to children and families.

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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:

- a. Referrals to the Cabinet Council of those children for whom the County Council cannot provide adequate services;
- b. 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;
- c. 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";
- d. Maintenance of an accountability system to monitor the County Council's progress in achieving results for families and children; and
- e. Establishment of a mechanism to ensure ongoing input from a broad representation of families who are receiving services within the County system.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Council consists of all funds, departments, and activities that are not legally separate from the Council. They comprise the Council's legal entity which provides services including human, social, health and education to families and children.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Council in that the Council approves the budget, the issuance of debt, or the levying of taxes. The Council has no component units.

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

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The Council's financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters the Auditor of State prescribes or permits.

D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Fund:

Help Me Grow – General Revenue – This Fund accounts for funding to provide direct services to children ages birth to three who are at significant developmental risk, and their families.

E. 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 Hardin County Commissioners have been designated by the Council to serve as the administrative agent and the Hardin County Auditor has been designated by the Council to serve as the fiscal agent. The Hardin County Department of Job and Family Services has been designated by the Council to serve as the administrative agent as of July 1, 2012. Council funds are maintained in separate agency funds in the County. The Council authorizes the Hardin County Commissioners and Hardin County Department of Job and Family Services 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. The Hardin County Auditor agrees to be ultimately responsible for fulfilling the fiscal and administrative obligations of the agreement.

F. 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.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Investments

The Council designated the Hardin County Auditor as the fiscal agent for all funds received in the name of the Council. Deposits of monies are made with the Hardin County Treasurer and fund expenditures and balances are reported through the Hardin County Auditor. Deposits and investments are made in accordance with the Ohio Revised Code and are valued at the fiscal agent's carrying amount.

H. Property, Plant and Equipment

The Council records cash disbursements for acquisitions of property, plant and equipment when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as leaving employment or retirement, employees are entitled to cash payouts for unused leave. The financial statements do not include a liability for unpaid leave.

J. Long-Term Debt Obligations

The Council did not have any bonds or other long-term debt obligations.

K. 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:

Non-spendable – The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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 or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Council, which includes giving the administrative/fiscal agent the authority to constrain monies for intended purposes.

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. REPORTING ENTITY/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from the overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The fiscal agent maintains separate funds for the Council. The Ohio Revised Code prescribes allowable deposits and investments. The Council's carrying amount of cash with the County treasury as of December 31, 2012 and 2011 was \$83,218 and \$84,614, respectively. Hardin County as fiscal agent for the Council is responsible for maintaining adequate depository collateral for all funds.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,750	\$ 16,957	(\$ 41,793)
Special Revenue	329,465	126,879	(202,586)
Total	\$388,215	\$143,836	(\$244,379)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 58,750	\$ 14,274	\$ 44,476
Special Revenue	335,709	130,958	204,751
Total	\$394,459	\$145,232	\$249,227

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 44,250	\$ 30,582	(\$13,668)
Special Revenue	177,579	162,139	(15,440)
Total	\$221,829	\$192,721	(\$29,108)

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 49,770	\$ 26,989	\$22,781
Special Revenue	243,336	169,684	73,652
Total	\$293,106	\$196,673	\$96,433

4. RETIREMENT SYSTEM

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent of annual covered payroll. The Council has paid all contributions required through December 31, 2012.

5. CONTINGENT LIABILITIES

The Council received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Council December 31, 2012 and 2011.

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

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

7. TRANSFERS AND ADVANCES

During 2011, the Council transferred \$3,556 from the Special Revenue Wellness Fund and \$200 from the Special Revenue Help Me Grow PRC 0-3 Fund to the General Fund to close out these funds. The Council transferred \$243 from the Special Revenue Wellness Fund to the Special Revenue Bridgebuilders Fund to cover workers compensation and transferred \$4,000 from the Special Revenue Help Me Grow – General Revenue Fund to the Special Revenue HMG ARRA Fund to cover payroll expenses.

During 2012, the Council transferred \$3,511 from the Special Revenue HMG ARRA Fund to the Special Revenue Help Me Grow General Revenue Fund to liquidate the Fund.

At December 31, 2012, the Special Revenue Help Me Grow – General Revenue Fund was owed \$15,000 from the Special Revenue Part C Fund as the result of advances made prior to 2011.

Family and children first councils are a creature of statute and may act only pursuant to statutory authorization. The authority of a statutorily created board to act in financial transactions must be clearly and distinctly granted. There was no statutory authorization for the Council to either transfer or advance money, therefore the transfers and advances identified above were not permissible per Op. Att’y Gen. No. 2000-010.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Hardin County Family and Children First Council
Hardin County
175 West Franklin Street, Suite 150
Kenton, Ohio 43326

To the Members of 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 Hardin County Family and Children First Council, Hardin County (the Council) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2013 wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Council adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies 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 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. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-003 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-002 through 2012-004.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 9, 2013

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness

Accuracy and Completeness of Financial Statements

The Council should have procedures and controls in place to help assure the accuracy and completeness of financial reporting. The following errors and/or omissions were identified in the 2011 financial statements:

- GASB 54 which was applicable for periods beginning after June 15, 2010 was not implemented. As a result the General Fund ending balance of \$12,896 and the Special Revenue Fund ending balance of \$71,718 had to be reclassified to unrestricted and restricted, respectively;
- Transfers in the General Fund in the amount of \$3,756 were classified as intergovernmental receipts;
- Transfers in the Special Revenue Fund in the amount of \$4,243 were classified as miscellaneous receipts;
- Special Revenue Fund contract services in the amount of \$44,382 and transfers-out in the amount of \$7,999 were classified as miscellaneous disbursements; and
- The January 1 Special Revenue Fund balance did not include the opening balance of the Access to Better Care Fund in the amount of \$5,679 which was reported in the accounting records

The accompanying financial statements have been adjusted to correctly reflect this activity and balances.

The failure to present accurate and complete financial statements not only impacts the user's understanding of the financial operations, it also inhibits the ability of the governing body and management to make sound financial decisions, and can result in the material misstatement of the financial statements.

Prior to submitting the annual financial statements to the Auditor of State, a review should be performed to help identify recording errors and to help assure agreement with the underlying accounting records.

FINDING NUMBER 2012-002

Material Weakness / Noncompliance Citation / Finding for Adjustment

2000 Op. Att'y Gen. No. 2000-010 states, in part, that the county council is a creature of statute and, as such, has only those powers that it is granted by statute, either expressly or by implication. See State ex rel. Shriver v. Board of Commissioners, 148 Ohio St. 277, 74 N.E.2d 248 (1947). Further, it has been held that the authority of a statutorily created board to act in financial transactions must be clearly and distinctly granted. See State ex rel. Locher v. Menning, 95 Ohio St. 97, 99, 115 N.E. 571, 572 (1916).

**FINDING NUMBER 2012-002
(Continued)**

During 2011, the Council transferred \$3,556 from the Special Revenue Wellness Fund and \$200 from the Special Revenue Help Me Grow PRC 0-3 Fund to the General Fund to close out these funds. The Council transferred \$243 from the Special Revenue Wellness Fund to the Special Revenue Bridgebuilders Fund to cover workers compensation and transferred \$4,000 from the Special Revenue Help Me Grow – General Revenue Fund to the Special Revenue HMG ARRA Fund to cover payroll expenses. During 2012, the Council transferred \$3,511 from the Special Revenue HMG ARRA Fund to the Special Revenue Help Me Grow General Revenue Fund to liquidate the Fund. The Council did not possess authority to make these transfers, statutorily or otherwise. In addition to the Council lacking the authority to transfer funds, the transfer of funds may result in the illegal disbursement of restricted money. The illegal disbursement of restricted money may result in the Council being required to return grant money to the grantor agency.

In accordance with the foregoing facts, we hereby issue a finding for adjustment in favor of the Special Revenue Wellness Fund in the amount of \$3,799, the Special Revenue Help Me Grow PRC 0-3 Fund in the amount of \$200, the Special Revenue Help Me Grow – General Revenue Fund in the amount of \$4,000, and the Special Revenue HMG ARRA Fund in the amount of \$3,511.

The accompanying financial statements and the accounting records have been adjusted to move \$3,556 from the General Fund to the Special Revenue Wellness Fund, and \$200 from the General Fund to the Special Revenue Help Me Grow PRC-0-3 Fund.

The Council should become familiar with the powers granted to a county council along with the requirements of each grant to help prevent the illegal transfer of funds.

FINDING NUMBER 2012-003

Significant Deficiency / Noncompliance Citation / Finding for Adjustment

2000 Op. Att'y Gen. No. 2000-010 states, in part, that the county council is a creature of statute and, as such, has only those powers that it is granted by statute, either expressly or by implication. See State ex rel. Shriver v. Board of Commissioners, 148 Ohio St. 277, 74 N.E.2d 248 (1947). Further, it has been held that the authority of a statutorily created board to act in financial transactions must be clearly and distinctly granted. See State ex rel. Locher v. Menning, 95 Ohio St. 97, 99, 115 N.E. 571, 572 (1916).

Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year. Pursuant to **AOS Bulletin 97-003** cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

**FINDING NUMBER 2012-003
(Continued)**

At December 31, 2012, the Special Revenue Help Me Grow – General Revenue Fund was owed \$15,000 from the Special Revenue Part C Fund as the result of advances made prior to 2011. In addition to the Council lacking the authority to advance funds, the advance of funds may result in the illegal disbursement of restricted money. The illegal disbursement of restricted money may result in the County being required to return grant money to the grantor agency.

In accordance with the foregoing facts, we hereby issue a finding for adjustment in favor of the Special Revenue Help Me Grow – General Revenue Fund in the amount of \$15,000.

The Council should become familiar with the powers granted to a county council along with the requirements of each grant to help prevent the illegal advance of funds.

FINDING NUMBER 2012-004

Noncompliance / Finding for Recovery / Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Hardin County Family and Children First Council expended public funds in the amount of \$3,208 for reimbursements to the former Family and Children First Council Director, Sarah Jeffries for gift cards purchased from Wal-Mart using her personal credit card. The only documentation supporting the use of these gift cards were hand written statements on the credit card statements of the former Director that indicated they were “Gas Cards for FCSS Families” or Reimbursement for FCSS Services. No documentation was maintained to support that these gift cards were used for purchases that served a proper public purpose. Without appropriate documentation it is not possible to determine if the expenditures included items that would not be considered a proper public purpose.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Sarah Jeffries, and her bonding company, County Risk Sharing Authority (CORSA), jointly and severally, in the total amount of \$3,208 and in favor of the Hardin County Family and Children First Council’s General Fund in the amount of \$511 and the Family and System Team Fund in the amount of \$2,697.

This finding for recovery was repaid, in the amount of \$3,208, on October 29, 2013, by the County Risk Sharing Authority (CORSA) with check number 41667. Receipt number 18171 in the amount of \$511 was recorded in the General Fund, and receipt number 18172 in the amount of \$2,697 was recorded in the Family and System Team Fund.

OFFICIALS RESPONSE:

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

**HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Accuracy and Completeness of Financial Statements and Notes	No	Similar comment repeated as finding 2012-001



Dave Yost • Auditor of State

HARDIN COUNTY FAMILY AND CHILDREN FIRST COUNCIL

HARDIN 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 2, 2014**