



Dave Yost • Auditor of State



**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Four County Board of Alcohol, Drug Addiction,  
and Mental Health Services  
Henry County  
T-761 State Route 66  
Archbold, Ohio 43502-9537

To the Members of the Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Four County Board of Alcohol, Drug Addiction and Mental Health Services, Henry County, Ohio (the Board) as of and for the year ended December 31, 2016.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board'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 Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Board does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Board as of December 31, 2016, 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 Four County Board of Alcohol, Drug Addiction and Mental Health Services, Henry County, Ohio as of December 31, 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the Board'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 Board's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 20, 2017

**Four County Board of Alcohol, Drug Addiction, and Mental Health Services**

*Henry County, Ohio*

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)*

*All Governmental Fund Types*

*For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property Taxes	\$3,431,820		\$3,431,820
Intergovernmental	813,654	\$2,167,209	2,980,863
Payments in Lieu of Taxes	3,894		3,894
Reimbursements	7,996		7,996
Miscellaneous	3,391		3,391
<i>Total Cash Receipts</i>	<u>4,260,755</u>	<u>2,167,209</u>	<u>6,427,964</u>
<b>Cash Disbursements</b>			
Current:			
Salaries	337,947		337,947
Medicare	4,900		4,900
Supplies	1,963		1,963
Equipment/Repairs	2,084		2,084
Contract - Services	3,976,740		3,976,740
Utilities	11,934		11,934
Computer Expenses/Repairs	5,152		5,152
Rentals	36,500		36,500
Education (Public Information)	29,031		29,031
Agency Dues	13,153		13,153
Project Fund Disbursements		1,850,026	1,850,026
Travel	2,784		2,784
Public Employees Retirement	51,205		51,205
Workers Compensation	4,205		4,205
Insurance	127,292		127,292
Levy Fees	68,072		68,072
Other	13,664		13,664
<i>Total Cash Disbursements</i>	<u>4,686,626</u>	<u>1,850,026</u>	<u>6,536,652</u>
<i>Net Change in Fund Cash Balances</i>	(425,871)	317,183	(108,688)
<i>Fund Cash Balances, January 1</i>	<u>4,644,202</u>	<u>110,406</u>	<u>4,754,608</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable		427,589	427,589
Committed	552,640		552,640
Unassigned	3,665,691		3,665,691
<i>Fund Cash Balances, December 31</i>	<u>\$4,218,331</u>	<u>\$427,589</u>	<u>\$4,645,920</u>

*See accompanying notes to the financial statements*

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# Four County Board of Alcohol, Drug Addiction, and Mental Health Services

Henry County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2016

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## Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Four County Board of Alcohol, Drug Addiction and Mental Health Services, Henry County, Ohio (the Board) as a body corporate and politic. An eighteen-member Board is the governing Body. The Board's Director and the legislative authorities of the political subdivisions making up the Board appoint the other Board members. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are the Ohio Director of Mental Health and Addiction Services, Defiance County, Fulton County, Henry County, and Williams County. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. Private and public agencies are the primary service providers, through Board contracts.

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

## Note 2 - Summary of Significant Accounting Policies

### *Basis of Presentation*

The Board's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

### *Fund Accounting*

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

**General Fund** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Board had the following significant Special Revenue Fund:

505 Block Grant Fund – This fund provides financial assistance to provider agencies for the local management of services provided to persons with severe mental/emotional disabilities for the promotion and support of their recovery and resilience.

### *Basis of Accounting*

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

# Four County Board of Alcohol, Drug Addiction, and Mental Health Services

Henry County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2016

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

## ***Budgetary Process***

The Ohio Revised Code requires the Board to adopt a budget for each fund annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

## ***Capital Assets***

The Board records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

## ***Accumulated Leave***

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

## ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Board must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Board classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Trustees can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Four County Board of Alcohol, Drug Addiction, and Mental Health Services**

*Henry County, Ohio*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Board or a Board official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,045,500	\$4,260,755	\$215,255
Special Revenue	2,092,209	2,167,209	75,000
Total	<u>\$6,137,709</u>	<u>\$6,427,964</u>	<u>\$290,255</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,245,500	\$4,686,626	\$558,874
Special Revenue	2,181,745	1,850,026	331,719
Total	<u>\$7,427,245</u>	<u>\$6,536,652</u>	<u>\$890,593</u>

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Defiance County Treasurer is custodian for the Board's deposits. The County's deposit and investment pool holds the Board's assets, valued at the Treasurer's reported carrying amount.

**Note 5 – Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by

## **Four County Board of Alcohol, Drug Addiction, and Mental Health Services**

*Henry County, Ohio*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Board.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

### **Note 6 - Risk Management**

#### ***Commercial Insurance***

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Directors' and Officers' liability.

### **Note 7 - Defined Benefit Pension Plans**

#### **Ohio Public Employees Retirement System**

The Board'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. OPERS members contributed 10%, of their gross salaries and the Board contributed an amount equaling 14%, of participants' gross salaries. The Board has paid all contributions required through December 31, 2016.

### **Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

### **Note 9 – Contingent Liabilities**

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the 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.



# 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*

Four County Board of Alcohol, Drug Addiction,  
and Mental Health Services  
Henry County  
T-761 State Route 66  
Archbold, Ohio 43502-9537

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Four County Board of Alcohol, Drug Addiction and Mental Health Services, Henry County, Ohio (the Board) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2017, wherein we noted the Board followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Board'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 the Board's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board'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 the Board'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 the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board'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

June 20, 2017



# Dave Yost • Auditor of State

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES**

**HENRY 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  
JULY 6, 2017**