



Dave Yost • Auditor of State

**EASTERN ALLIANCE COUNCIL OF GOVERNMENT
MUSKINGUM COUNTY
JUNE 30, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Eastern Alliance Council of Government
Muskingum County
1205 Newark Road
Zanesville, Ohio 43701

To the Council of Government Board:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities and major fund of the Eastern Alliance Council of Government, Muskingum County, Ohio (the Council), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 such 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and major fund of the Eastern Alliance Council of Government, Muskingum County, Ohio, as of June 30, 2017 and 2016, and the respective changes in cash financial position for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the Table of Contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018, 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

May 10, 2018

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of the Eastern Alliance Council of Government (the Council), financial performance provides an overall review of the Council's financial activities for the year ended June 30, 2017, within the limitations of the Council's cash basis of accounting. The intent of this discussion and analysis is to look at the Council's financial performance as a whole. Readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for the year 2017 are as follows:

- Net position increased by \$10,990.
- General receipts accounted for \$371,463 in receipts or 99 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$700 or 1 percent of total receipts of \$372,163.
- The Council had \$361,173 in disbursements related to governmental activities; \$700 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$371,463 were adequate to provide for the remainder of these programs.
- The Council's major fund had \$372,163 in receipts and \$361,173 disbursements. The cash balance increased \$10,990.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Council, presenting both an aggregate view of the Council's finances and a longer-term view of those finances. Governmental financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the Council as a Whole

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

While this document contains information used by the Council to provide programs and services for its service area, the view of the Council as a whole looks at all financial transactions and asks the question, "How did we do financially during calendar year 2017?" The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Council's net position and changes in those assets. This change in net position is important because it tells the reader that, for the Council as a whole, the financial position of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, all of the Council's activities are considered to be Governmental Activities.

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Reporting the Council as a Whole (Continued)

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis (Continued)

Governmental Activities – The Council's only program and associated services are reported here.

Reporting the Council's Governmental Financial Statements

Governmental Financial Statements

Governmental financial statements provide detailed information about the Council. The Council's activities are reported in the governmental financial statements, which focus on how money flows and the balance left at year end available for spending in future periods. These governmental financial statements are reported on a cash basis of accounting. The governmental financial statements provide a detailed short-term view of the Council's mental health and dependency rehabilitation operations and the services they provide. Governmental information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance mental health and dependency rehabilitation programs.

The Council as a Whole

Recall that the Statement of Net Position – Cash Basis provides the perspective of the Council as a whole. Table 1 provides a summary of the Council's net position for 2017 compared to 2016.

**Table 1
Net Position – Cash Basis**

	Governmental Activities	
	2017	2016
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$357,154</u>	<u>\$346,164</u>
Net Position		
Unrestricted	<u>\$357,154</u>	<u>\$346,164</u>
Total Net Position	<u>\$357,154</u>	<u>\$346,164</u>

Total assets increased \$10,990. The increase is due primarily to increased client rents. The Council continues to attempt to control costs in a time of rising costs.

Table 2 shows the changes in net position for the year ended June 30, 2017, and comparisons to June 30, 2016.

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

**Table 2
Changes in Net Position**

	Governmental Activities	
	2017	2016
Receipts		
Program Cash Receipts		
Operating Grants	\$700	\$8,238
Total Program Cash Receipts	700	8,238
General Receipts		
Rents & Interest for General Purposes	329,765	325,372
Grants – Unrestricted	41,698	22,030
Total General Receipts	371,463	347,402
Total Receipts	372,163	355,640
Disbursements:		
Client Support	361,173	272,582
Total Disbursements	361,173	272,582
Change in Net Position	\$10,990	\$83,058

In 2017, 99 percent of the Council's total receipts were from general receipts, consisting mainly of client rent and unrestricted state grants. Program cash receipts accounted for 1 percent of the Council's total receipts in year 2017. These receipts consist primarily of client support grants.

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by client rents receipts and unrestricted state grants.

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

**Table 3
Governmental Activities**

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Current:				
Program Services	\$11,547	\$11,547	\$10,450	\$5,575
Housekeeping Supplies	4,196	4,196	3,348	3,348
Activities	1,697	1,697	1,750	(763)
Office Supplies	217	217	132	132
Kitchen Supplies	2,359	2,359	2,326	2,326
Postage	275	275	226	226
Food	72,957	72,957	75,733	75,733
Client Needs Other	5,781	5,081	7,920	7,920
Building Repair and Maint.	38,740	38,740	33,438	33,438
Equipment Repair	10,387	10,387	4,120	4,120
Equipment	21,740	21,740	14,315	14,315
Building Lease	10,534	10,534	11,492	11,492
Telephone/Internet	9,049	9,049	10,934	10,934
Utilities	65,346	65,346	60,877	60,877
Insurance	25,785	25,785	23,770	23,770
Dues and Subscriptions	533	533	286	286
Audit and Legal	3,000	3,000	4,000	4,000
Contract Services	5,708	5,708	6,548	5,698
License Fees	492	492	917	917
Mortgage Loan Tsf to Liberty	70,830	70,830	0	0
Total Disbursements	\$361,173	\$360,473	\$272,582	\$264,344

The dependence upon state grants and client rents for governmental activities is apparent as 89 percent of current costs are supported through client rents.

The Council's Governmental Financial Statements

The Council's governmental financial statements are accounted for using the cash basis of accounting. The governmental financial statements had total receipts of \$372,163 and disbursements of \$361,173. The financial statements had an increase in the cash balance of \$10,990.

Budgeting Highlights

The Council is not required to prepare a budget per Ohio law.

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Contacting the Council's Financial Management

This financial report is designed to provide our Council members with a general overview of the Council's finances and show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Janet Hill, Bookkeeper, Eastern Alliance Council of Government, 1205 Newark Road, Zanesville, Ohio 43701. You may call her at (740) 454-8557 ext. #109.

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**Eastern Alliance Council of Government
Muskingum County**

*Statement of Net Position - Cash Basis
June 30, 2017*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 357,154</u>
<i>Total Assets</i>	<u>357,154</u>
Net Position	
Unrestricted	<u>357,154</u>
<i>Total Net Position</i>	<u><u>\$ 357,154</u></u>

See accompanying notes to the basic financial statements

**Eastern Alliance Council of Government
Muskingum County**

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017*

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
Governmental Activities			
Current:			
Program Services	\$ 11,547		\$ (11,547)
Housekeeping Supplies	4,196		(4,196)
Activities	1,697		(1,697)
Office Supplies	217		(217)
Kitchen Supplies	2,359		(2,359)
Postage	275		(275)
Food	72,957		(72,957)
Client Needs Other	5,781	700	(5,081)
Building Repair and Maintenance	38,740		(38,740)
Equipment Repair	10,387		(10,387)
Equipment	21,740		(21,740)
Building Lease	10,534		(10,534)
Telephone/Internet	9,049		(9,049)
Utilities	65,346		(65,346)
Insurance	25,785		(25,785)
Dues and Subscriptions	533		(533)
Audit and Legal	3,000		(3,000)
Contract Services	5,708		(5,708)
License Fees	492		(492)
Mortgage Loan Transfer	70,830		(70,830)
	<u>\$ 361,173</u>	<u>\$ 700</u>	<u>\$ (360,473)</u>
General Receipts			
Client Rents			\$ 329,682
Interest Income			83
State Grants			41,698
			<u>371,463</u>
			Change in Net Position 10,990
			<u>Net Position Beginning of Year 346,164</u>
			<u>Net Position End of Year \$ 357,154</u>

See accompanying notes to the basic financial statements

**Eastern Alliance Council of Government
Muskingum County**

*Statement of Assets and Fund Balance - Cash Basis
Governmental Fund
June 30, 2017*

	<u>General Fund</u>
Cash Basis Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 357,154
<i>Total Assets</i>	<u>\$ 357,154</u>
Cash Basis Fund Balance	
Unassigned	\$ 357,154
<i>Total Cash Basis Fund Balance</i>	<u>\$ 357,154</u>

See accompanying notes to the basic financial statements

**Eastern Alliance Council of Government
Muskingum County**

*Statement of Receipts, Disbursements, and Changes in Fund Balance - Cash Basis
Governmental Fund
For the Fiscal Year Ended June 30, 2017*

	General Fund
Cash Receipts	
Client Rents	\$ 329,682
Interest Income	83
State Grants	42,398
<i>Total Cash Receipts</i>	<i>372,163</i>
Cash Disbursements	
Current:	
Program Services	11,547
Housekeeping Supplies	4,196
Activities	1,697
Office Supplies	217
Kitchen Supplies	2,359
Postage	275
Food	72,957
Client Needs Other	5,781
Building Repair and Maintenance	38,740
Equipment Repair	10,387
Equipment	21,740
Building Lease	10,534
Telephone/Internet	9,049
Utilities	65,346
Insurance	25,785
Dues and Subscriptions	533
Audit and Legal	3,000
Contract Services	5,708
License Fees	492
Mortgage Loan Transfer	70,830
<i>Total Expenses</i>	<i>361,173</i>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<i>10,990</i>
<i>Cash Basis Fund Balance Beginning of Year</i>	<i>346,164</i>
<i>Cash Basis Fund Balance End of Year</i>	<i>\$ 357,154</i>

See accompanying notes to the basic financial statements

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the Reporting Entity

The Eastern Alliance Council of Government (the "Council") was established by the three Alcohol, Drug Addiction, and Mental Health Services Councils serving Jefferson, Coshocton, Guernsey, Morgan, Muskingum, Noble, Perry, Belmont, Harrison, and Monroe Counties, Ohio under Chapter 167 of the Ohio Revised Code. The purpose of the Council is to promote cooperative arrangements and coordinated action among its members, state departments, and other local service entities, develop and implement joint quality improvement activities on a regional basis, plan, develop, fund, and administer joint residential programming for target populations, and optimize comprehensive planning and program development.

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Council consists of all funds, departments, Councils and agencies that are not legally separate from the Council.

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 organization for which the Council authorizes the issuance of debt or the levying of taxes or determines the budget, if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Council. The Council has no component units.

Note 2 - Summary of Significant Accounting Policies

These financial statements and notes are presented on a cash 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. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Council (GASB) pronouncements.

Fund Accounting

The Council uses one fund (General Fund) to report its financial position and results of operations. The General Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The General Fund is used to account for the Council's general operations.

Basis of Presentation

The Council's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and governmental financial statements providing more detailed financial information.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements: The Statement of Net Position presents the financial condition of the governmental activities of the Council at year-end. The Statement of Activities presents a comparison between direct disbursements and program cash receipts for the program of the Council's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program cash receipts are presented as general receipts of the Council. The comparison of direct disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Council.

Governmental Financial Statements: Governmental financial statements are intended to report more detailed information about the Council. While the focus of governmental financial statements is on major funds, the Council only utilizes one fund, resulting in the governmental financial statements reporting that is similar to that of the government-wide financial statements.

Basis of Accounting

The Government-wide Statement of Net Position and Statement of Activities and the governmental financial statements are presented using the cash basis of accounting. This basis recognizes cash assets, net position/fund equity, receipts, and disbursements when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related receipts and certain liabilities and their disbursements are not recorded in these financial statements. If the Council utilized the basis of accounting recognized as generally accepted, the governmental financial statements for governmental funds would use the modified accrual basis of accounting.

Cash and Cash Equivalents

Cash received by the Council is presented as "equity in cash and cash equivalents" on the statement of net position. Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents.

The Council's bank balance was covered by the Federal Deposit Insurance Corporation.

Interest earned during the year was \$83.

Inventory and Prepaid Items

The Council reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

The Council's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Council's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Health District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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 The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Health. Those committed amounts cannot be used for any other purpose unless the Board of Health 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 the Health District 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 the Board of Health or a Health District 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 contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Note 3 – Deposits and Investments

State statutes classify monies held by the Council into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Council treasury. Active monies must be maintained either as cash in the Council treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 3 – Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,878 of the Council's bank balance of \$358,789 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the Federal Deposit Insurance Corporation.

The Council has no deposit policy for custodial risk beyond the requirements of State statute.

Note 4 – Risk Management

Comprehensive

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended June 30, 2017, the Council retained property insurance and liability coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the previous year.

Note 5 – Building Lease/Debt

In December 2003, a promissory note to finance the acquisition and development of 9.89 acres of real property at 9259 Liberty School Road, Cambridge, Ohio was entered into by the Muskingum Mental Health & Recovery Services Board. The Council was responsible for retiring the debt by paying a building lease payment to Peoples Bank from client rents. In June of 2017, the Council retired the note to avoid future interest. The property was converted into a 16-bed residential facility. Renovations were completed and the facility was operational in October 2004. The note is collateralized by an open-ended mortgage on the property financed and held by a financial institution.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 5 – Building Lease/Debt (Continued)

The Liberty Manor residential facility is operated by the Council and the Mental Health and Recovery Services Council serving Belmont, Harrison and Monroe Counties, Ohio. The Muskingum County Mental Health and Recovery Services Council acts as fiscal agent.

State Capital Projects

In 1997, the Council entered into a contract with the Ohio Department of Mental Health to purchase a site and construct a facility where housing and mental health services for severely mentally disabled adults would be provided. This facility would be known as Country Garden Manor. Support services would also be provided at the facility through the Mental Health and Recovery Services Board, Six County, Inc., and the Appalachian Psychiatric Healthcare System SOS.

The project was funded through a grant with the Department of Mental Health. The total project cost of \$987,642 was recorded as a mortgage payable due to the Department over a period of 480 months. The Country Garden facility secures this mortgage. In the event that the Council would not operate the facility under the terms of the contract, the Council would reimburse the Department of Mental Health in an amount equal to such amount as was actually reimbursed to them under this contract, minus 1/480th per month in which the project was used for mental health services as approved by the Department to the total term of this contract, which is 480 months as stated above. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

During fiscal year 2001, the Council entered into a similar agreement with the Ohio Department of Mental Health for the purchase and renovation of property on Richmond Street, Zanesville, Ohio. This facility is to be used to provide housing for mentally disabled adults. The estimated cost of this project was \$105,260 with the state share of \$93,460 being earned over a period of 40 years. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

On March 11, 2004, the Council entered into a contract/note with the Ohio Department of Mental Health for \$150,000. The note is secured by a mortgage deed on the property located at 9259 Liberty School Road, Cambridge, Ohio. The payment of principal will be forgiven by the Ohio Department of Mental Health and Addiction Services in 480 equal installments beginning the first day of April 2004 and forgivable upon the first day of each month thereafter until and including the first day of April 2044 providing there is no transfer by sale, gift, devise, operation of law or otherwise of the title in all or part of the said premises. If such a transfer should occur, the remaining balance shall be immediately due and payable to the Ohio Department of Mental Health and Addiction Services. The Council received 90% or \$135,000 of this state funding on May 10, 2004. The final 10% or \$15,000 was paid on December 3, 2004, after completion of the renovation. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

On May 14, 2009, the Mental Health and Recovery Services Board entered into another contract/note with the Ohio Department of Mental Health for \$171,710. The note is secured by a mortgage deed on the property located at 9259 Liberty School Road, Cambridge, Ohio. The payment of principal will be forgiven by the Ohio Department of Mental Health and Addiction Services in 480 equal installments beginning the first day of May 2009 and forgivable upon the first day of each month thereafter until and including the first day of May 2049 providing there is no transfer by sale, gift, devise, operation of law or otherwise of title in all or part of the said premises. If such transfer should occur, the remaining balance shall be immediately due and payable to the Ohio Department of Mental Health and Addiction Services. The Council will receive 100 percent state funding for this project. The Council received \$128,680 and \$42,110 in state funding on July 30, 2009 and October 6, 2009, respectively. The Council received the final payment on April 28, 2010 for \$920. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 5 – Building Lease/Debt (Continued)

State Capital Projects (Continued)

On May 14, 2009, the council entered into another agreement with the Ohio Department of Mental Health for a new roof for the Country Garden Manor and other facility improvements. The project was funded through a grant with the Department of Mental Health. The state's share of the project cost of \$51,500 was recorded as a mortgage payable due to the Department over a period of 480 months. The Country Garden facility secures this mortgage, also. In accordance with the contract and in the event that the Council would not operate the facility under the terms of the contract, the Council would reimburse the Department of Mental Health in an amount equal to such amount as was actually reimbursed to them under this contract, minus 1/480th per month in which the project was used for mental health services as approved by the Department to the total term of this contract, which is 480 months as stated above. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

Note 6 – In-Kind Services

The Country Garden Manor and Liberty Manor are operated with staff employed by Appalachian Psychiatric Healthcare. The nature of the services performed is mostly clinical with some managerial services also provided. The total amount of professional services for these personnel and related costs are estimated to be approximately \$960,433 for Country Garden Manor and \$923,917 for Liberty Manor respectively.

Note 7 - Contingencies

Grants

The Council receives financial assistance from state agencies in the form of grants. Disbursing grant funds 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 Council. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the Council at June 30, 2017.

Litigation

The Council is not party to any legal proceedings.

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**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The discussion and analysis of the Eastern Alliance Council of Government (the Council), financial performance provides an overall review of the Council's financial activities for the year ended June 30, 2016, within the limitations of the Council's cash basis of accounting. The intent of this discussion and analysis is to look at the Council's financial performance as a whole. Readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for the year 2016 are as follows:

- Net position increased by \$83,058.
- General receipts accounted for \$347,402 in receipts or 98 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$8,238 or 2 percent of total receipts of \$355,640.
- The Council had \$272,582 in disbursements related to governmental activities; \$8,238 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$347,402 were adequate to provide for the remainder of these programs.
- The Council's major fund had \$355,640 in receipts and \$272,582 disbursements. The cash balance increased \$83,058.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Council, presenting both an aggregate view of the Council's finances and a longer-term view of those finances. Governmental financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the Council as a Whole

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

While this document contains information used by the Council to provide programs and services for its service area, the view of the Council as a whole looks at all financial transactions and asks the question, "How did we do financially during calendar year 2016?" The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Council's net position and changes in those assets. This change in net position is important because it tells the reader that, for the Council as a whole, the financial position of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, all of the Council's activities are considered to be Governmental Activities.

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Reporting the Council as a Whole (Continued)

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis (Continued)

Governmental Activities – The Council's only program and associated services are reported here.

Reporting the Council's Governmental Financial Statements

Governmental Financial Statements

Governmental financial statements provide detailed information about the Council. The Council's activities are reported in the governmental financial statements, which focus on how money flows and the balance left at year end available for spending in future periods. These governmental financial statements are reported on a cash basis of accounting. The governmental financial statements provide a detailed short-term view of the Council's mental health and dependency rehabilitation operations and the services they provide. Governmental information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance mental health and dependency rehabilitation programs.

The Council as a Whole

Recall that the Statement of Net Position – Cash Basis provides the perspective of the Council as a whole. Table 1 provides a summary of the Council's net position for 2016 compared to 2015.

**Table 1
Net Position – Cash Basis**

	Governmental Activities	
	2016	2015
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$346,164</u>	<u>\$263,106</u>
Net Position		
Unrestricted	<u>\$346,164</u>	<u>\$263,106</u>
Total Net Position	<u>\$346,164</u>	<u>\$263,106</u>

Total assets increased \$83,058. The increase is due primarily to increased client rents. The Council continues to attempt to control costs in a time of rising costs.

Table 2 shows the changes in net position for the year ended June 30, 2016, and comparisons to June 30, 2015.

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

**Table 2
Changes in Net Position**

	Governmental Activities	
	2016	2015
Receipts		
Program Cash Receipts		
Operating Grants	\$8,238	\$0
Total Program Cash Receipts	8,238	0
General Receipts		
Rents & Interest for General Purposes	325,372	280,274
Grants – Unrestricted	22,030	24,064
Total General Receipts	347,402	304,338
Total Receipts	355,640	304,338
Disbursements:		
Client Support	272,582	257,856
Total Disbursements	272,582	257,856
Change in Net Position	\$83,058	\$46,482

In 2016, 98 percent of the Council's total receipts were from general receipts, consisting mainly of client rent and unrestricted state grants. Program cash receipts accounted for 2 percent of the Council's total receipts in year 2016. These receipts consist primarily of client support grants.

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by client rents receipts and unrestricted state grants.

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

**Table 3
Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Current:				
Program Services	\$10,450	\$5,575	\$8,219	\$8,219
Housekeeping Supplies	3,348	3,348	3,463	3,463
Activities	1,750	(763)	602	602
Office Supplies	132	132	356	356
Kitchen Supplies	2,326	2,326	2,034	2,034
Postage	226	226	298	298
Food	75,733	75,733	79,935	79,935
Client Needs Other	7,920	7,920	6,411	6,411
Building Repair and Maint.	33,438	33,438	26,460	26,460
Equipment Repair	4,120	4,120	5,972	5,972
Equipment	14,315	14,315	3,670	3,670
Building Lease	11,492	11,492	10,535	10,535
Telephone/Internet	10,934	10,934	9,770	9,770
Utilities	60,877	60,877	66,958	66,958
Insurance	23,770	23,770	23,248	23,248
Dues and Subscriptions	286	286	143	143
Audit and Legal	4,000	4,000	4,000	4,000
Contract Services	6,548	5,698	5,540	5,540
License Fees	917	917	242	242
Total Disbursements	\$272,582	\$264,344	\$257,856	\$257,856

The dependence upon state grants and client rents for governmental activities is apparent as 91 percent of current costs are supported through client rents.

The Council's Governmental Financial Statements

The Council's governmental financial statements are accounted for using the cash basis of accounting. The governmental financial statements had total receipts of \$355,640 and disbursements of \$272,582. The financial statements had an increase in the cash balance of \$83,058.

Budgeting Highlights

The Council is not required to prepare a budget per Ohio law.

**Eastern Alliance Council of Government
Muskingum County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Contacting the Council's Financial Management

This financial report is designed to provide our Council members with a general overview of the Council's finances and show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Janet Hill, Bookkeeper, Eastern Alliance Council of Government, 1205 Newark Road, Zanesville, Ohio 43701. You may call her at (740) 454-8557 ext. #109.

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**Eastern Alliance Council of Government
Muskingum County**

*Statement of Net Position - Cash Basis
June 30, 2016*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 346,164</u>
<i>Total Assets</i>	<u>346,164</u>
Net Position	
Unrestricted	<u>346,164</u>
<i>Total Net Position</i>	<u><u>\$ 346,164</u></u>

See accompanying notes to the basic financial statements

**Eastern Alliance Council of Government
Muskingum County**

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016*

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
Governmental Activities			
Current:			
Program Services	\$ 10,450	\$ 4,875	\$ (5,575)
Housekeeping Supplies	3,348		(3,348)
Activities	1,750	2,513	763
Office Supplies	132		(132)
Kitchen Supplies	2,326		(2,326)
Postage	226		(226)
Food	75,733		(75,733)
Client Needs Other	7,920		(7,920)
Building Repair and Maintenance	33,438		(33,438)
Equipment Repair	4,120		(4,120)
Equipment	14,315		(14,315)
Building Lease	11,492		(11,492)
Telephone/Internet	10,934		(10,934)
Utilities	60,877		(60,877)
Insurance	23,770		(23,770)
Dues and Subscriptions	286		(286)
Audit and Legal	4,000		(4,000)
Contract Services	6,548	850	(5,698)
License Fees	917		(917)
	<u>\$ 272,582</u>	<u>\$ 8,238</u>	<u>\$ (264,344)</u>
General Receipts			
Client Rents			\$ 325,299
Interest Income			73
State Grants			22,030
			<u>347,402</u>
<i>Total General Receipts</i>			<u>347,402</u>
Change in Net Position			83,058
<i>Net Position Beginning of Year</i>			<u>263,106</u>
<i>Net Position End of Year</i>			<u>\$ 346,164</u>

See accompanying notes to the basic financial statements

**Eastern Alliance Council of Government
Muskingum County**

*Statement of Assets and Fund Balance - Cash Basis
Governmental Fund
June 30, 2016*

	<u>General Fund</u>
Cash Basis Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 346,164
<i>Total Assets</i>	<u>\$ 346,164</u>
Cash Basis Fund Balance	
Unassigned	\$ 346,164
<i>Total Cash Basis Fund Balance</i>	<u>\$ 346,164</u>

See accompanying notes to the basic financial statements

**Eastern Alliance Council of Government
Muskingum County**

*Statement of Receipts, Disbursements, and Changes in Fund Balance - Cash Basis
Governmental Fund
For the Fiscal Year Ended June 30, 2016*

	General Fund
Cash Receipts	
Client Rents	\$ 325,299
Interest Income	73
State Grants	30,268
 <i>Total Cash Receipts</i>	 355,640
 Cash Disbursements	
Current:	
Program Services	10,450
Housekeeping Supplies	3,348
Activities	1,750
Office Supplies	132
Kitchen Supplies	2,326
Postage	226
Food	75,733
Client Needs Other	7,920
Building Repair and Maintenance	33,438
Equipment Repair	4,120
Equipment	14,315
Building Lease	11,492
Telephone/Internet	10,934
Utilities	60,877
Insurance	23,770
Dues and Subscriptions	286
Audit and Legal	4,000
Contract Services	6,548
License Fees	917
 <i>Total Expenses</i>	 272,582
 <i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	 83,058
 <i>Cash Basis Fund Balance Beginning of Year</i>	 263,106
 <i>Cash Basis Fund Balance End of Year</i>	 \$ 346,164

See accompanying notes to the basic financial statements

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 - Description of the Reporting Entity

The Eastern Alliance Council of Government (the "Council") was established by the three Alcohol, Drug Addiction, and Mental Health Services Councils serving Jefferson, Coshocton, Guernsey, Morgan, Muskingum, Noble, Perry, Belmont, Harrison, and Monroe Counties, Ohio under Chapter 167 of the Ohio Revised Code. The purpose of the Council is to promote cooperative arrangements and coordinated action among its members, state departments, and other local service entities, develop and implement joint quality improvement activities on a regional basis, plan, develop, fund, and administer joint residential programming for target populations, and optimize comprehensive planning and program development.

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Council consists of all funds, departments, Councils and agencies that are not legally separate from the Council.

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 organization for which the Council authorizes the issuance of debt or the levying of taxes or determines the budget, if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Council. The Council has no component units.

Note 2 - Summary of Significant Accounting Policies

These financial statements and notes are presented on a cash 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. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Council (GASB) pronouncements.

Fund Accounting

The Council uses one fund (General Fund) to report its financial position and results of operations. The General Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The General Fund is used to account for the Council's general operations.

Basis of Presentation

The Council's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and governmental financial statements providing more detailed financial information.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements: The Statement of Net Position presents the financial condition of the governmental activities of the Council at year-end. The Statement of Activities presents a comparison between direct disbursements and program cash receipts for the program of the Council's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program cash receipts are presented as general receipts of the Council. The comparison of direct disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Council.

Governmental Financial Statements: Governmental financial statements are intended to report more detailed information about the Council. While the focus of governmental financial statements is on major funds, the Council only utilizes one fund, resulting in the governmental financial statements reporting that is similar to that of the government-wide financial statements.

Basis of Accounting

The Government-wide Statement of Net Position and Statement of Activities and the governmental financial statements are presented using the cash basis of accounting. This basis recognizes cash assets, net position/fund equity, receipts, and disbursements when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related receipts and certain liabilities and their disbursements are not recorded in these financial statements. If the Council utilized the basis of accounting recognized as generally accepted, the governmental financial statements for governmental funds would use the modified accrual basis of accounting.

Cash and Cash Equivalents

Cash received by the Council is presented as "equity in cash and cash equivalents" on the statement of net position. Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents.

The Council's bank balance was covered by the Federal Deposit Insurance Corporation.

Interest earned during the year was \$73.

Inventory and Prepaid Items

The Council reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

The Council's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Council's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Health District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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 The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Health. Those committed amounts cannot be used for any other purpose unless the Board of Health 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 the Health District 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 the Board of Health or a Health District 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 contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Note 3 – Deposits and Investments

State statutes classify monies held by the Council into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Council treasury. Active monies must be maintained either as cash in the Council treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 3 – Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,782 of the Council's bank balance of \$368,870 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the Federal Deposit Insurance Corporation.

The Council has no deposit policy for custodial risk beyond the requirements of State statute.

Note 4 – Risk Management

Comprehensive

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended June 30, 2016, the Council retained property insurance and liability coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the previous year.

Note 5 – Building Lease/Debt

In December 2003, a promissory note to finance the acquisition and development of 9.89 acres of real property at 9259 Liberty School Road, Cambridge, Ohio was entered into by the Muskingum Mental Health & Recovery Services Board. The Council is responsible for retiring the debt by paying a building lease payment to Peoples Bank from client rents. The property was converted into a 16-bed residential facility. Renovations were completed and the facility was operational in October 2004. The note is collateralized by an open-ended mortgage on the property financed and held by a financial institution.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 5 – Building Lease/Debt (Continued)

The Liberty Manor residential facility is operated by the Council and the Mental Health and Recovery Services Council serving Belmont, Harrison and Monroe Counties, Ohio. The Muskingum County Mental Health and Recovery Services Council acts as fiscal agent. The Eastern Alliance Council of Governments retired the loan as of June 8, 2017.

State Capital Projects

In 1997, the Council entered into a contract with the Ohio Department of Mental Health to purchase a site and construct a facility where housing and mental health services for severely mentally disabled adults would be provided. This facility would be known as Country Garden Manor. Support services would also be provided at the facility through the Mental Health and Recovery Services Board, Six County, Inc., and the Appalachian Psychiatric Healthcare System SOS. The project was funded through a grant with the Department of Mental Health. The total project cost of \$987,642 was recorded as a mortgage payable due to the Department over a period of 480 months. The Country Garden facility secures this mortgage. In the event that the Council would not operate the facility under the terms of the contract, the Council would reimburse the Department of Mental Health in an amount equal to such amount as was actually reimbursed to them under this contract, minus 1/480th per month in which the project was used for mental health services as approved by the Department to the total term of this contract, which is 480 months as stated above. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

During fiscal year 2001, the Council entered into a similar agreement with the Ohio Department of Mental Health for the purchase and renovation of property on Richmond Street, Zanesville, Ohio. This facility is to be used to provide housing for mentally disabled adults. The estimated cost of this project was \$105,260 with the state share of \$93,460 being earned over a period of 40 years. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

On March 11, 2004, the Council entered into a contract/note with the Ohio Department of Mental Health for \$150,000. The note is secured by a mortgage deed on the property located at 9259 Liberty School Road, Cambridge, Ohio. The payment of principal will be forgiven by the Ohio Department of Mental Health and Addiction Services in 480 equal installments beginning the first day of April 2004 and forgivable upon the first day of each month thereafter until and including the first day of April 2044 providing there is no transfer by sale, gift, devise, operation of law or otherwise of the title in all or part of the said premises. If such a transfer should occur, the remaining balance shall be immediately due and payable to the Ohio Department of Mental Health and Addiction Services. The Council received 90% or \$135,000 of this state funding on May 10, 2004. The final 10% or \$15,000 was paid on December 3, 2004, after completion of the renovation. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

On May 14, 2009, the Mental Health and Recovery Services Board entered into another contract/note with the Ohio Department of Mental Health for \$171,710. The note is secured by a mortgage deed on the property located at 9259 Liberty School Road, Cambridge, Ohio. The payment of principal will be forgiven by the Ohio Department of Mental Health and Addiction Services in 480 equal installments beginning the first day of May 2009 and forgivable upon the first day of each month thereafter until and including the first day of May 2049 providing there is no transfer by sale, gift, devise, operation of law or otherwise of title in all or part of the said premises. If such transfer should occur, the remaining balance shall be immediately due and payable to the Ohio Department of Mental Health and Addiction Services. The Council will receive 100 percent state funding for this project. The Council received \$128,680 and \$42,110 in state funding on July 30, 2009 and October 6, 2009, respectively. The Council received the final payment on April 28, 2010 for \$920. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

**Eastern Alliance Council of Government
Muskingum County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 5 – Building Lease/Debt (Continued)

State Capital Projects (Continued)

On May 14, 2009, the council entered into another agreement with the Ohio Department of Mental Health for a new roof for the Country Garden Manor and other facility improvements. The project was funded through a grant with the Department of Mental Health. The state's share of the project cost of \$51,500 was recorded as a mortgage payable due to the Department over a period of 480 months. The Country Garden facility secures this mortgage, also. In accordance with the contract and in the event that the Council would not operate the facility under the terms of the contract, the Council would reimburse the Department of Mental Health in an amount equal to such amount as was actually reimbursed to them under this contract, minus 1/480th per month in which the project was used for mental health services as approved by the Department to the total term of this contract, which is 480 months as stated above. It is management's intent to use such property for its intended purpose, therefore no mortgage amount is reflected in the financial statements.

Note 6 – In-Kind Services

The Country Garden Manor and Liberty Manor are operated with staff employed by Appalachian Psychiatric Healthcare. The nature of the services performed is mostly clinical with some managerial services also provided. The total amount of professional services for these personnel and related costs are estimated to be approximately \$945,408 for Country Garden Manor and \$884,808 for Liberty Manor respectively.

Note 7 - Contingencies

Grants

The Council receives financial assistance from state agencies in the form of grants. Disbursing grant funds 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 Council. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the Council at June 30, 2016.

Litigation

The Council is not party to any legal proceedings.

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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*

Eastern Alliance Council of Government
Muskingum County
1205 Newark Road
Zanesville, Ohio 43701

To the Council of Government 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 cash-basis financial statements of the governmental activities and major fund of the Eastern Alliance Council of Government, Muskingum County, Ohio (the Council), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated May 10, 2018, wherein we noted the Council uses a special purpose framework other than generally accepted accounting principles.

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 opinions 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.

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 Council'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 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 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 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 report 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

May 10, 2018



Dave Yost • Auditor of State

EASTERN ALLIANCE COUNCIL OF GOVERNMENT

MUSKINGUM 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
MAY 24, 2018**