



Dave Yost • Auditor of State



**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF  
LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY  
JUNE 30, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties  
Logan County  
1521 North Detroit Street  
P.O. Box 765  
West Liberty, Ohio 43357

To the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County, Ohio (the Board) as of and for the fiscal years ended June 30, 2017 and 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 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.

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

As described in Note 1 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 June 30, 2017 and 2016, and the respective changes in financial position thereof for the fiscal years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County as of June 30, 2017 and 2016, for the fiscal years 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 1.

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

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

April 10, 2018

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General
<b>Cash Receipts</b>	
Property Taxes	\$1,033,312
Intergovernmental	2,343,300
Rental Receipts	61,001
Contributions	23
Charges for Services	42,914
<i>Total Cash Receipts</i>	3,480,550
 <b>Cash Disbursements</b>	
Current:	
Salaries	306,221
Benefits	130,616
Purchased Services	3,161,145
Dues and Memberships	10,743
Board Operations	77,750
Supplies and Materials	28,452
Rental	25,384
Advertising and Printing	9,497
Contract Labor	54,526
Travel and Training	22,179
Repairs	16,484
<i>Total Cash Disbursements</i>	3,842,997
 <i>Net Change in Fund Cash Balance</i>	(362,447)
 <i>Fund Cash Balance, July 1</i>	2,702,679
 <b>Fund Cash Balance, June 30</b>	
Restricted	2,313,240
Unassigned	26,992
 <i>Fund Cash Balance, June 30</i>	\$2,340,232

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

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**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties as a body corporate and politic. A fourteen-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 Logan and Champaign Counties. Those subdivisions are Director of the Ohio Department of Mental Health and Addiction Services, and the County Commissioners of Logan and Champaign Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of Logan and Champaign Counties. Private and public agencies are the primary service providers, through Board contracts.

The Board's management believes the financial statement presents all activities for which the Board is financially accountable.

**B. ACCOUNTING BASIS**

This financial statement follows the accounting basis the Ohio Auditor of State prescribes or permits by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03. 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).

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.

**C. DEPOSITS AND INVESTMENTS**

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

**D. FUND ACCOUNTING**

The Board uses fund accounting to segregate cash and investments that are restricted as to use. Fund accounting is a concept developed to meet the needs of the governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The Transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Board classifies its fund into the following type:

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GENERAL FUND**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**E. BUDGETARY PROCESS**

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

**1. 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.

**2. ESTIMATED RESOURCES**

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

**3. ENCUMBRANCES**

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2017 budgetary activity appears in Note 2.

**F. 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:

**1. NONSPENDABLE**

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

**2. 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.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. COMMITTED**

The Board can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Board amends 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.

**4. 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.

**5. 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. The Board had outstanding encumbrances of \$236,832 as of June 30, 2017.

**G. PROPERTY, PLANT, AND EQUIPMENT**

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

**H. 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.

**I. DEBT**

The Board has non-interest bearing debt with the Ohio Department of Mental Health and Addiction Services. The financial statement does not report a liability for this debt.

**J. SUBSEQUENT EVENTS**

The Board has evaluated subsequent events for potential recognition and disclosure. No events were identified.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the fiscal year ending June 30, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,043,351	\$3,480,550	(\$562,801)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,444,420	\$4,079,829	\$364,591

**3. PROPERTY TAX**

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 statement includes homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by 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.

Logan and Champaign Counties are responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

**4. RETIREMENT SYSTEM**

The Board participates in the Ohio Publics Employees Retirement System (OPERS). OPERS administers three separate benefit plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invest both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has the elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**4. RETIREMENT SYSTEMS (CONTINUED)**

OPERS provides retirement, disability, survivor and death benefits and annual costs-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 227 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** — The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal year ended June 30, 2017, member and employer contribution rates were consistent across all three plans discussed above. The member contribution rates were 10% of their annual salary for members in the state and local classifications. The Board was required to contribute 14% of covered payroll for employees. The Board's required contributions for pension obligations to the traditional and combined plans for the year ended June 30, 2017, totaled \$54,382. The Board has paid all contributions required through June 30, 2017.

**5. RISK MANAGEMENT**

**COMMERCIAL INSURANCE**

The Board has obtained commercial insurance for the following risks:

- Director and Officer Insurance;
- Comprehensive property and general liability;
- Bond insurance, and;
- Errors and omissions.

There was no reduction in the level of coverage during the year and settled claims have not exceeded insurance coverage in any of the past three years.

**6. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow in future periods. However, based on prior experience, management believes any refunds would be immaterial to its financial statement as of June 30, 2017.

**7. POST-EMPLOYMENT BENEFITS**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*, establishes standards for disclosure information for postemployment benefits other than pension benefits. OPERS has postemployment benefits that meet the definition as described in GASB Statement No. 45.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**7. POST-EMPLOYMENT BENEFITS (CONTINUED)**

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare.

In order to qualify for postemployment healthcare coverage, age-and-service retirees under the traditional pension and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** — The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

**8. LONG-TERM OBLIGATIONS**

The Board has entered into ten non-interest bearing mortgage agreements with the Ohio Department of Mental Health and Addiction Services (MHAS). In accordance with the mortgage agreements, the loans are forgiven by the State of Ohio over a period of 30 or 40 years, under the condition that the facilities are used exclusively for the purpose of providing mental health services.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**8. LONG-TERM OBLIGATIONS (CONTINUED)**

Long term obligations as of June 30, 2017, consist of the following:

Mortgage	Original Loan Balance	Monthly Installments	Expiring	Balance 2017
MHAS	818,084	1,704	November 2033	\$334,177
MHAS	125,000	260	September 2035	56,836
MHAS	154,488	322	August 2041	87,578
MHAS	208,512	434	April 2042	134,636
MHAS	76,000	158	August 2043	49,564
MHAS	213,750	445	November 2049	172,814
MHAS	180,000	500	April 2043	154,522
MHAS	53,500	149	April 2044	47,856
MHAS	53,500	149	April 2044	47,856
MHAS	100,000	278	March 2045	92,507
				<u>\$1,178,346</u>
* Non-Interest Bearing			Total MHAS Forgiven:	\$52,759

Principal amounts of long-term obligations are expected to be forgiven for the following periods:

<b>Periods ending</b>	
June 30, 2018	\$52,832
June 30, 2019	52,832
June 30, 2020	52,832
June 30, 2021	52,832
June 30, 2022	52,832
June 30, 2023 - June 30, 2027	264,161
June 30, 2028 - June 30, 2032	264,161
June 30, 2033 - June 30, 2037	183,405
June 30, 2038 - June 30, 2042	141,525
June 30, 2043 - June 30, 2047	48,461
June 30, 2046 – June 30, 2050	12,473
	<u>\$1,178,346</u>

\*Amounts may vary year to year

Principal forgiven by the Ohio Department of Mental Health and Addiction Services during the year ended June 30, 2017, totaled \$52,759.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**9. RENTAL RECEIPTS**

The Board has entered into a lease as lessor for the property located at 1521 N. Detroit Street, West Liberty, Ohio (also known as the Mental Health Center) with Consolidated Care, Inc., a funded agency of the Board. Rental receipts for the year ended June 30, 2017, totaled \$61,001.



**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General
<b>Cash Receipts</b>	
Property Taxes	\$1,019,641
Intergovernmental	1,907,420
Rental Receipts	71,681
Contributions	2,403
Charges for Services	95,394
<i>Total Cash Receipts</i>	3,096,539
 <b>Cash Disbursements</b>	
Current:	
Salaries	249,332
Benefits	100,953
Purchased Services	2,806,797
Dues and Memberships	68,486
Board Operations	65,391
Supplies and Materials	25,927
Rental	3,183
Advertising and Printing	8,660
Contract Labor	93,892
Travel and Training	7,825
Professional Fees	8,200
Repairs	2,823
<i>Total Cash Disbursements</i>	3,441,469
 <i>Net Change in Fund Cash Balance</i>	(344,930)
 <i>Fund Cash Balance, July 1</i>	3,047,609
 <b>Fund Cash Balance, June 30</b>	
Restricted	2,676,835
Unassigned	25,844
 <i>Fund Cash Balance, June 30</i>	\$2,702,679

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

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**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR END JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties as a body corporate and politic. A fourteen-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 Logan and Champaign Counties. Those subdivisions are Director of the Ohio Department of Mental Health and Addiction Services, and the County Commissioners of Logan and Champaign Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of Logan and Champaign Counties. Private and public agencies are the primary service providers, through Board contracts.

The Board's management believes the financial statement presents all activities for which the Board is financially accountable.

**B. ACCOUNTING BASIS**

This financial statement follows the accounting basis the Ohio Auditor of State prescribes or permits by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03. 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).

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.

**C. DEPOSITS AND INVESTMENTS**

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

**D. FUND ACCOUNTING**

The Board uses fund accounting to segregate cash and investments that are restricted as to use. Fund accounting is a concept developed to meet the needs of the governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The Transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Board classifies its funds into the following type:

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GENERAL FUND**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**E. BUDGETARY PROCESS**

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

**1. 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.

**2. ESTIMATED RESOURCES**

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

**3. ENCUMBRANCES**

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2016 budgetary activity appears in Note 2.

**F. 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:

**1. NONSPENDABLE**

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

**2. 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.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. COMMITTED**

The Board can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Board amends 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.

**4. 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.

**5. 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. The Board had outstanding encumbrances of \$401,069 as of June 30, 2016.

**G. PROPERTY, PLANT, AND EQUIPMENT**

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

**H. 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.

**I. DEBT**

The Board has non-interest bearing debt with the Ohio Department of Mental Health and Addiction Services. The financial statement does not report a liability for this debt.

**J. SUBSEQUENT EVENTS**

The Board has evaluated subsequent events for potential recognition and disclosure. No events were identified.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the fiscal year ending June 30, 2016, follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,640,416	\$3,096,539	(\$543,877)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,756,570	\$3,842,538	\$914,032

**3. PROPERTY TAX**

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 statement includes homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by 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.

Logan and Champaign Counties are responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

**4. RETIREMENT SYSTEM**

The Board participates in the Ohio Publics Employees Retirement System (OPERS). OPERS administers three separate benefit plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invest both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has the elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**4. RETIREMENT SYSTEM (CONTINUED)**

OPERS provides retirement, disability, survivor and death benefits and annual costs-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 227 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** — The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal year ended June 30, 2016, member and employer contribution rates were consistent across all three plans discussed above. The member contribution rates were 10% of their annual salary for members in the state and local classifications. The Board was required to contribute 14% of covered payroll for employees. The Board's required contributions for pension obligations to the traditional and combined plans for the year ended June 30, 2016, totaled \$45,770. The Board has paid all contributions required through June 30, 2016.

**5. RISK MANAGEMENT**

**COMMERCIAL INSURANCE**

The Board has obtained commercial insurance for the following risks:

- Director and Officer Insurance;
- Comprehensive property and general liability;
- Bond insurance, and;
- Errors and omissions.

There was no reduction in the level of coverage during the year and settled claims have not exceeded insurance coverage in any of the past three years.

**6. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow in future periods. However, based on prior experience, management believes any refunds would be immaterial to its financial statement as of June 30, 2016.

**7. POST-EMPLOYMENT BENEFITS**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*, establishes standards for disclosure information for postemployment benefits other than pension benefits. OPERS has postemployment benefits that meet the definition as described in GASB Statement No. 45.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**7. POST-EMPLOYMENT BENEFITS (CONTINUED)**

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare.

In order to qualify for postemployment healthcare coverage, age-and-service retirees under the traditional pension and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** — The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

**8. LONG-TERM OBLIGATIONS**

The Board has entered into ten non-interest bearing mortgage agreements with the Ohio Department of Mental Health and Addiction Services (MHAS). In accordance with the mortgage agreements, the loans are forgiven by the State of Ohio over a period of 30 or 40 years, under the condition that the facilities are used exclusively for the purpose of providing mental health services.



**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
OF LOGAN AND CHAMPAIGN COUNTIES  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**8. LONG-TERM OBLIGATIONS (CONTINUED)**

Long term obligations as of June 30, 2016, consist of the following:

Mortgage	Original Loan Balance	Monthly Installments	Expiring	Balance 2016
MHAS	818,084	1,704	November 2033	\$354,615
MHAS	125,000	260	September 2035	59,959
MHAS	154,488	322	August 2041	91,211
MHAS	208,512	434	April 2042	140,072
MHAS	76,000	158	August 2043	51,463
MHAS	213,750	445	November 2049	178,154
MHAS	180,000	500	April 2043	160,517
MHAS	53,500	149	April 2044	49,638
MHAS	53,500	149	April 2044	49,638
MHAS	100,000	278	March 2045	95,838
				<u>\$1,231,105</u>
* Non-Interest Bearing				
Total MHAS				
Forgiven:				\$52,904

Principal amounts of long-term obligations are expected to be forgiven for the following periods:

<b>Periods ending</b>	
June 30, 2017	\$52,829
June 30, 2018	52,829
June 30, 2019	52,829
June 30, 2020	52,829
June 30, 2021	52,829
June 30, 2022 - June 30, 2026	264,145
June 30, 2027 - June 30, 2031	264,145
June 30, 2032 - June 30, 2036	206,982
June 30, 2037 - June 30, 2041	146,211
June 30, 2042 - June 30, 2046	67,662
June 30, 2047 – June 30, 2051	17,815
	<u>\$1,231,105</u>

\*Amounts may vary year to year

Principal forgiven by the Ohio Department of Mental Health and Addiction Services during the year ended June 30, 2016, totaled \$52,904.

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD  
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**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**9. RENTAL RECEIPTS**

The Board has entered into a lease as lessor for the property located at 1521 N. Detroit Street, West Liberty, Ohio (also known as the Mental Health Center) with Consolidated Care, Inc., a funded agency of the Board. Rental receipts for the year ended June 30, 2016, totaled \$71,681.



# 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*

Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties  
Logan County  
1521 North Detroit Street  
P.O. Box 765  
West Liberty, Ohio 43357

To the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties:

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 of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County, (the Board) as of and for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 10, 2018 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 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, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 10, 2018



# Dave Yost • Auditor of State

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LOGAN AND CHAMPAIGN  
COUNTIES**

**LOGAN 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  
APRIL 24, 2018**