



Dave Yost • Auditor of State

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

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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
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 Statement

We have audited the accompanying financial statement and related notes of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County, (the Board) as of and for the year ended June 30, 2014.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting the financial statement 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 statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on the financial statement 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 statement is 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 statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statement, the Board prepared this financial statement 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, to satisfy these requirements.

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

Though the Board does not intend this statement 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 permitted 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 statement referred to above does 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, 2014, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the combined cash balance of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County, as of June 30, 2014, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Matters

Our audit was conducted to opine on the financial statement taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statement.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statement. We subjected this schedule to the auditing procedures we applied to the financial statement. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statement taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2015, 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.

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

March 4, 2015

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General
Cash Receipts:	
Property Taxes	\$1,016,145
Intergovernmental	2,674,081
Rental Receipts	77,552
Contributions	83
Charges for Services	53,013
Total Cash Receipts	3,820,874
 Cash Disbursements:	
Current:	
Salaries	268,401
Benefits	120,405
Purchased Services	3,105,071
Dues and Memberships	59,455
Board Operations	40,919
Supplies and Materials	25,616
Rental	10,164
Advertising and Printing	6,041
Contract Labor	59,443
Travel and Training	12,536
Professional Fees	8,467
Repairs	7,615
Total Cash Disbursements	3,724,133
 Net Change in Fund Cash Balance	 96,741
 Fund Cash Balance, January 1	 3,112,216
 Fund Cash Balance, December 31:	
Restricted	3,190,664
Unassigned (Deficit)	18,293
Fund Cash Balance, December 31	\$3,208,957

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

**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, 2014**

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. An 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, Director of the Ohio Department of Alcohol and Drug Addiction, 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. Basis of Accounting

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).

The financial statement includes adequate disclosure of material matters, as the Ohio Auditor of State prescribes or permits.

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 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:

General Fund

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

**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, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the Board to adopt a budget for the 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. The Champaign County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end. Contrary to Ohio Rev. Code Section 5705.40, the Board did not approve appropriation changes.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 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 2014 budgetary activity appears in Note 2.

F. Fund Balance

In the fund financial statement, governmental funds report aggregate amounts for five classifications of fund balances, as applicable, based on the constraints imposed on the use of these resources.

1. Non-spendable fund balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

2. Restricted fund balance

This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**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, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed fund balance

These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolution by the Board Members. Those committed amounts cannot be used for any other purpose unless the Board Members remove the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned fund balance

This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board Members have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

5. Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use externally restricted resources first, then unrestricted resources—Committed, assigned, and unassigned.—in order as needed. The Board had outstanding encumbrances of \$193,438 as of June 30, 2014.

G. Property, Plant, and Equipment

The Board classifies acquisitions of property, plant and equipment as disbursements when paid.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does 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, 2014
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,135,388	\$3,820,874	\$685,486

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,592,527	\$3,917,571	(\$325,044)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$325,044 for the year ended June 30, 2014.

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 include 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property with Logan and Champaign Counties by each April 30.

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, 2014
(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, 2014, 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, 2014, totaled \$48,111. The Board has paid all contributions required through June 30, 2014.

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. CONTINGENCIES

Amounts grantor agencies pay to the Board are subject to audit and adjustments by the grantor, principally the federal government. The Grantor may require refunding by the Board for any disallowed costs. Management cannot 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, 2014.

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.

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.

**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, 2014
(Continued)**

7. POST-EMPLOYMENT BENEFITS (Continued)

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 2013 and 2014, 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 as entered into seven non-interest bearing mortgage agreements with the Ohio Department of Mental Health and Addiction Services. 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.

Long term obligations as of June 30, 2014, consist of the following:

Mortgage, MHAS, original loan balance of \$818,084, non-interest bearing note, forgiven by MHAS in monthly installments of \$1,680, expiring November 2033.	\$395,547
Mortgage, MHAS, original loan balance of \$125,000, non-interest bearing note, forgiven by MHAS in monthly installments of \$270, expiring October 2035.	66,213
Mortgage, MHAS, original loan balance of \$154,488, non-interest bearing note, forgiven by MHAS in monthly installments of \$300, expiring August 2041.	98,488
Mortgage, MHAS, original loan balance of \$208,512, non-interest bearing note, forgiven by MHAS in monthly installments of \$450, expiring April 2042.	150,957
Mortgage, MHAS, original loan balance of \$76,000, non-interest bearing note, forgiven by MHAS in monthly installments of \$150, expiring August 2043.	55,265
Mortgage, MHAS, maximum loan balance of \$213,750, non-interest bearing note, forgiven by MHAS in monthly installments of \$450, expiring November 2049.	188,850
Mortgage, MHAS, maximum loan balance of \$180,000, non-interest bearing note, forgiven by MHAS in monthly installments of \$500, expiring April 2043.	172,526
	<u>\$1,127,846</u>

**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, 2014
(Continued)**

8. LONG-TERM OBLIGATIONS (Continued)

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

Periods ending	
30-Jun-15	\$45,896
30-Jun-16	45,896
30-Jun-17	45,896
30-Jun-18	45,896
30-Jun-19	45,896
June 30, 2020 - June 30, 2024	229,480
June 30, 2025 - June 30, 2029	229,480
June 30, 2030 - June 30, 2034	215,987
June 30, 2035 - June 30, 2039	115,308
June 30, 2040 - June 30, 2044	79,581
June 30, 2045 - June 30, 2049	26,720
June 30, 2050	1,810
	\$1,127,846

Principal forgiven by the Ohio Department of Mental Health and Addiction Services during the year ended June 30, 2014, totaled \$47,343.

9. RENTAL RECEIPTS

The Board has entered into a lease as lessor for the property located at Mental Health Center 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, 2014, totaled \$77,552.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
<i>Passed through Ohio Department of Mental Health and Addiction Services</i>		
Block Grant for Prevention and Treatment of Substance Abuse	93.959	\$200,653
Drug-Free Communities Support Programs Grants	93.276	128,064
Block Grants for Community Mental Health Services	93.958	57,548
Social Services Block Grant	93.667	<u>53,214</u>
Total U.S. Department of Health and Human Services		439,479
U.S. Department of Housing and Urban Development		
<i>Direct</i>		
Supportive Housing Program	14.235	<u>135,033</u>
Total U.S. Department of Housing and Urban Development		135,033
U.S. Department of Education		
<i>Passed through Ohio Department of Health</i>		
Special Education-Grants Infants and Families	84.181	<u>54,598</u>
Total U.S. Department of Education		54,598
Total Federal Awards Expenditures		<u><u>\$629,110</u></u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures includes the federal grant activity of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

NOTE 2 – SUB-RECIPIENTS

The Board passes through certain federal assistance received from the U.S. Department of Health and Human Services and the U.S. Department of Education to other governments or not-for-profit agencies (sub-recipients). As described in Note 1 of the financial statement, the Board records expenditures of federal awards to sub-recipients when paid.

NOTE 3 - MATCHING

Certain federal programs require that the Board contribute non-federal funds (matching funds) to support federally-funded programs. The Board has complied with the matching requirements. The expenditure of non-federal funds is not included on the schedule.



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
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 statement of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County, (the Board) as of and for the year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated March 4, 2015, 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 opinion on the financial statement, 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 statement. 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statement are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

Entity's Response to Findings

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 4, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

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

Report on Compliance for the Major Federal Program

We have audited the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties (the Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties' major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Board's major federal program.

Management's Responsibility

The Board's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for the Board's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on the Major Federal Program

In our opinion, the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 4, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse under GAAP, unmodified under the regulatory basis
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #93.959—Block Grants for Prevention and Treatment of Substance Abuse
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING 2014-001

Noncompliance and Significant Deficiency

Budgetary Accounting

Ohio Rev. Code §5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. "Transfers" may be made by resolution or ordinance from one appropriation item to another.

The Director submitted three supplemental appropriation measures (\$1,000,000 total) and 19 intrafund appropriation transfers (\$83,081 total) in fiscal year 2014. The expenditures were approved by the Finance Committee and then by the Board. The Board did not approve them as supplemental or transfer appropriations.

The Board maintained an internal accounting system with a budget which differed from their fiscal agents' (Champaign County) system. Board management provided fiscal year budgets; whereas, the fiscal agent prepared and filed budgetary documents for the Board based on a calendar year. The Board's budget appeared reasonable compared with the calendar year budgets prepared by the fiscal agent; however, no reconciliation of the two accounting budgets was conducted. Also, the Board's accounting system incorporated accrual entries which required adjustment at year end for the presentation of cash statements.

The Board's management and fiscal personnel should submit and maintain fiscal year budgets and perform reconciliations between the fiscal agent's calendar year budgets to help prevent spending in excess of approved appropriations.

Officials' Response:

The MHDAS Board of Logan and Champaign Counties have noted the items listed above. In reference to supplemental and transfer appropriations, all funds expended above the budgeted amount are reviewed at the finance committee level and then submitted to the full board. Since being notified by the auditor in charge, the transfer, as submitted to the fiscal agent, is now included in the finance committee packet for their review and approval and submitted to the full board for the same. The practice of maintaining an internal accounting system to monitor the Board's various funds is an accepted practice in the state of Ohio. The actual expenditures are reconciled on a monthly basis to the counties fiscal agent reports. The funds are 100% accounted for. The questioned presentation is the budget figures only. The internal budget is not adjusted with each supplemental and transfer appropriation. As stated above, the Board maintains their funds on a state fiscal year to follow the reporting and funding structure of the Ohio Department Mental Health and Addiction Services. This also includes maintaining funds on an accrual basis to present the end of year reports as required by the state of Ohio.

The MHDAS Board of Logan and Champaign Counties have taken the necessary steps to respond to the issues listed above. All transfers are now reviewed and approve at the committee level and subsequent board meetings. All supplemental and transfer appropriations will be recorded in the internal accounting of the Board. A reconciliation of the two will be submitted for the audit.

FINDING 2014-002

Noncompliance

Budgetary Expenditures Exceed Appropriations

Ohio Rev. Code §5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in this chapter.

The Board's budgetary expenditures (actual expenditures plus outstanding encumbrances), in the amount of \$3,917,571, exceeded its appropriation authority of \$3,592,527 by \$325,044, for fiscal year 2014.

The budgeted amounts should be properly integrated into the accounting system(s) to assure expenditures do not exceed the Board approved appropriations. The Board and management should conduct periodic comparisons of appropriations and fiscal year-to-date budgetary expenditures to help assure compliance and prevent unauthorized expenditures.

Officials' Response:

As stated in finding 2014-001, the internal budget is not adjusted with each supplemental and transfer appropriation. The Board maintains their funds on a state fiscal year to follow the reporting and funding structure of the Ohio Department Mental Health and Addiction Services. Any purchases outside of the original budget have been discussed and reviewed at both the committee and board level. The finding has been noted and the internal accounting will be adjusted to reflect the supplement and transfer appropriations. The Board stall will present the supplement and transfers with budget adjustments to the finance committee and board at each meeting going forward.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

ADAMHS 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 7, 2015**