



Dave Yost • Auditor of State

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
 DRUG ADDICTION AND MENTAL HEALTH SERVICES
 GALLIA COUNTY
 DECEMBER 31, 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Cash Basis Governmental Funds	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances Governmental Funds	12
Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balance - Budget and Actual (Budget Basis) General Fund	13
Notes to the Basic Financial Statements	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Schedule of Findings	27

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
Gallia County
53 Shawnee Lane
P.O. Box 514
Gallipolis, Ohio 45631

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County, Ohio (the Board), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board'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 1 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 Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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, the major fund, and the aggregate remaining fund information of Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County, Ohio, as of December 31, 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

We draw attention to Note 1 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 July 19, 2017, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 19, 2017

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The discussion and analysis of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services' (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2016, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board'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 Board's financial performance.

Financial Highlights

Key financial highlights for the year 2016 are as follows:

- Net Position increased \$671,760.
- General receipts accounted for \$78,820 in receipts or 2.7 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$2,837,097 or 97.3 percent of total receipts of \$2,915,917.
- The Board had \$2,244,157 in disbursements related to governmental activities; these disbursements were offset by program specific operating grants and contributions.

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 Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services 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 Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. Fund 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.

Report the Board as a Whole

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

While this document contains information used by the Board to provide programs and services for its service area, the view of the Board 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 Board's net position and changes in position. This change in net position is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished on a cash basis. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net position and the Statement of Activities, all of the Board's activities are considered to be Governmental Activities.

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

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Reporting the Board's Fund Financial Statements

Fund Financial Statements

The Board's activities are reported in the fund financial statements, which focus on how money flows and the balance left at year-end available for spending in future periods. These fund financial statements are reported on a cash basis of accounting. The fund financial statements provide a detailed short-term view of the Board's mental health and dependency rehabilitation operations and the services they provide. Governmental Fund 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.

Fund financial statements provide detailed information about the Board's major fund – not the Board as a whole. The Board establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used and is being spent for the intended purpose. All of the Board's Activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Board's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's programs. The Board's significant governmental fund is presented on the financial statements in a separate column. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Board's only major governmental fund is the General Fund.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenue (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The Board as a Whole

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

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

**Table 1
Net Position**

	Governmental Activities	
	2016	2015
Assets		
Cash on deposit with Gallia County	\$ 1,585,450	\$ 913,690
Net Position		
Restricted	\$ 85,651	\$ 96,423
Unrestricted	1,499,799	817,267
Total net position	\$ 1,585,450	\$ 913,690

Total assets increased \$671,760. The increase is due primarily to an increase in revenues from grants that are passed on to the agencies and timing of receipt of monies from the state.

Table 2 shows the changes in net Position for the year ended December 31, 2016 and comparison to 2015.

In 2016, 31.1 percent of the Board's total receipts were from Federal Funds, 65.5 percent were from State and other grant sources, .7 percent were from Charges for Services, and 2.7 percent was miscellaneous receipts. Program cash receipts accounted for 97.3 percent of the Board's total receipts in year 2016. These receipts consist primarily of operating grants.

**Table 2
Changes in Net Position
Governmental Activities**

	2016	2015
Receipts		
<i>Program Cash Receipts</i>		
Charges for Services	\$ 19,820	\$ 0
Operating Grants and Contributions	2,817,277	1,839,494
Total Program Cash Receipts	2,837,097	1,839,494
<i>General Receipts</i>		
Other Receipts	78,820	42,289
Total General Cash Receipts	78,820	42,289
Total Cash Receipts	2,915,917	1,881,783
Disbursements		
<i>Current</i>		
Alcohol, Drug Addiction and Mental Health Services	2,244,157	2,042,074
Total Disbursements	2,244,157	2,042,074
Change in Net position	671,760	(160,291)
Net Position, January 1	913,690	1,073,981
Net Position, December 31	\$ 1,585,450	\$ 913,690

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Contract services make up the vast majority of disbursements for the Board comprising 72.5% of total disbursements. Salaries and benefits comprise 22.0% of the total disbursements and other types of disbursements make up the remaining portion of disbursements.

The Statement of Activities 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 miscellaneous receipts and prior year cash balance carryovers.

**Table 3
Governmental Activities**

	Total Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2016	Net Cost of Services 2015
Alcohol, Drug Addiction and Mental Health Services:				
Salaries	\$ 368,480	\$ 377,910	\$ 368,480	\$ 377,910
Supplies	2,291	3,023	2,291	3,023
Equipment	15,000	3,539	15,000	3,539
Contracts – Repairs	10,692	5,362	10,692	5,362
Contracts – Administrative	19,820	0	0	0
Contracts – Services	1,628,076	1,405,802	(1,189,201)	(433,692)
Travel and Expenses	15,497	16,530	15,497	16,530
Public Employees Retirement	48,117	67,342	48,117	67,342
Unemployment Compensation	5,131	7,680	5,131	7,380
Medicare	5,343	5,480	5,343	5,480
Hospitalization	67,397	75,724	67,397	75,724
Other Expenses	58,313	73,681	58,313	73,681
Total Disbursements	\$ 2,244,157	\$ 2,042,074	\$ (592,940)	\$ 202,580

The dependence upon state and federal funds for governmental activities is apparent as the Board has no local monies or levy monies.

The Board's Fund Financial Statements

The Board's fund financial statements are accounted for using the cash basis of accounting. The fund financial statements had total receipts of \$2,915,917 and disbursements of \$2,244,157. The financial statements had an increase in the cash balance of \$671,760 from the 2016 year-end cash balance. This increase is mainly due to an increase in grant revenue and delay in agency billing.

Budgeting Highlights

The Board's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

During the course of 2016, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There was a significant change between the original and the final budget. For the General Fund, budget basis revenues were \$2,765,398, \$838,762 above original estimate of \$1,926,636. In addition, budget basis expenditures were \$2,192,781, \$274,499 above original estimates of \$1,918,282. The variances that did occur were mainly due to the fact that the Board is funded on the State's Fiscal Year (July through June) and thus projecting an exact budget is difficult at best.

Economic Factors

The receipts of the Board increased slightly. The increase was due to an increase in grants that are passed through to the contract agencies. The Board contracts with four provider agencies to deliver mental health and substance abuse services to the residents of Gallia, Jackson and Meigs Counties.

The Board will be challenged to maintain the current level of services and programs due to a stagnant receipts base and ordinary inflation. The Board and its administration must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jennifer Metts, Fiscal Officer, at Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, 53 Shawnee Lane, P.O. Box 514, Gallipolis, Ohio 45631.

This page intentionally left blank.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Net Position - Cash Basis
December 31, 2016*

	<u>Governmental Activities</u>
Assets	
Cash Equivalents	<u>\$ 1,585,450</u>
<i>Total Assets</i>	<u><u>\$ 1,585,450</u></u>
Net Position	
Restricted for:	
Other Purposes	85,651
Unrestricted	<u>1,499,799</u>
<i>Total Net Position</i>	<u><u>\$ 1,585,450</u></u>

See accompanying notes to the basic financial statements.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Activities - Cash Basis
For The Year Ended December 31, 2016*

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Salaries	\$ 368,480			\$ (368,480)
Supplies	2,291			(2,291)
Equipment	15,000			(15,000)
Contracts - Administrative	19,820	19,820		-
Contracts - Repairs	10,692			(10,692)
Contracts - Services	1,628,076		2,817,277	1,189,201
Travel and Expenses	15,497			(15,497)
Public Employees Retirement	48,117			(48,117)
Workers Compensation	5,131			(5,131)
Medicare	5,343			(5,343)
Hospitalization (Health Insurance)	67,397			(67,397)
Other Expenses	58,313			(58,313)
<i>Total Governmental Activities</i>	<u>\$ 2,244,157</u>	<u>\$ 19,820</u>	<u>\$ 2,817,277</u>	592,940
General Receipts:				
Other Receipts				<u>78,820</u>
<i>Total General Receipts</i>				<u>78,820</u>
<i>Changes in Net Position</i>				<u>671,760</u>
<i>Net Position Beginning of Year</i>				<u>913,690</u>
<i>Net Position End of Year</i>				<u>\$ 1,585,450</u>

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

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2016*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash Equivalent	\$ 1,499,799	\$ 85,651	\$ 1,585,450
<i>Total Assets</i>	<u>\$ 1,499,799</u>	<u>\$ 85,651</u>	<u>\$ 1,585,450</u>
Fund Balances			
Restricted		85,651	85,651
Assigned	109,915		109,915
Unassigned	1,389,884		1,389,884
<i>Total Fund Balances</i>	<u>\$ 1,499,799</u>	<u>\$ 85,651</u>	<u>\$ 1,585,450</u>

See accompanying notes to the basic financial statements.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2016*

	General	Other Governmental Funds	Total Governmental Funds
RECEIPTS			
Grants	\$ 2,693,578	\$ 123,699	\$ 2,817,277
Charges for Services - Administrative		19,820	19,820
Other	71,820	7,000	78,820
<i>Total Receipts</i>	<u>2,765,398</u>	<u>150,519</u>	<u>2,915,917</u>
DISBURSEMENTS			
Salaries	337,729	30,751	368,480
Supplies	1,816	475	2,291
Equipment	15,000		15,000
Contracts - Administrative		19,820	19,820
Contracts - Repairs	10,692		10,692
Contracts - Services	1,534,922	93,154	1,628,076
Travel and Expenses	12,659	2,838	15,497
Public Employee's Retirement	43,812	4,305	48,117
Workers Compensation	4,240	891	5,131
Medicare	4,904	439	5,343
Hospitalization (Health Insurance)	67,397		67,397
Other Expenses	49,695	8,618	58,313
<i>Total Disbursements</i>	<u>2,082,866</u>	<u>161,291</u>	<u>2,244,157</u>
<i>Excess of Cash Receipts over (under) Disbursements</i>	<u>682,532</u>	<u>(10,772)</u>	<u>671,760</u>
<i>Fund Balance Beginning of Year</i>	<u>817,267</u>	<u>96,423</u>	<u>913,690</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,499,799</u>	<u>\$ 85,651</u>	<u>\$ 1,585,450</u>

See accompanying notes to the basic financial statements.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Receipts, Disbursements, and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For The Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,926,636	\$ 2,720,704	\$ 2,693,578	\$ (27,126)
Other	-	-	71,820	71,820
<i>Total Receipts</i>	<u>1,926,636</u>	<u>2,720,704</u>	<u>2,765,398</u>	<u>44,694</u>
DISBURSEMENTS				
Salaries	340,839	340,839	337,729	3,110
Supplies	3,025	3,025	1,917	1,108
Equipment	15,000	15,000	15,000	-
Contracts - Repairs	12,000	12,000	11,928	72
Contracts - Services	1,296,156	1,795,975	1,638,699	157,276
Travel and Expenses	21,125	21,125	13,414	7,711
Public Employee's Retirement	64,202	64,202	43,812	20,390
Workers Compensation	9,302	9,302	4,240	5,062
Medicare	5,262	5,262	4,904	358
Hospitalization (Health Insurance)	79,989	79,989	67,397	12,592
Other Expenses	71,382	71,382	53,741	17,641
<i>Total Disbursements</i>	<u>1,918,282</u>	<u>2,418,101</u>	<u>2,192,781</u>	<u>225,320</u>
<i>Excess Receipts over (under) Disbursements</i>	<u>8,354</u>	<u>302,603</u>	<u>572,617</u>	<u>270,014</u>
<i>Fund Balance Beginning of Year</i>	766,701	766,701	766,701	-
<i>Prior Year Encumbrances Appropriated</i>	<u>50,566</u>	<u>50,566</u>	<u>50,566</u>	-
<i>Fund Balance End of Year</i>	<u>\$ 825,621</u>	<u>\$ 1,119,870</u>	<u>\$ 1,389,884</u>	<u>\$ 270,014</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County (the Board), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is directed by an fourteen-member Board. Board members are appointed by the Board's Director and the legislative authorities as well as citizens of the Board. Those subdivisions are Gallia, Jackson, and Meigs Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

The Board serves as the Administrative Agent for the Gallia Family and Children First Council (the Council). As Administrative Agent, the Board has appointing authority for the Council's employees and is responsible for determining that disbursements comply with policies prescribed by State departments in rules or interagency agreements. As required by the Revised Code, the Council is governed by a Board that includes the Executive Director of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services. The activities of the Family and Children First Council are reported as a Special Revenue Fund within the Board's Financial Statements.

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

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 Board consists of all funds, departments, boards and agencies that are not legally separate from the Board.

Component units are legally separate organizations for which the Board is financially accountable. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt or the levying of their taxes. The Board has no component units.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 Board (GASB) pronouncements. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the year.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. The Board has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Board at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements – Fund financial statements report detailed information about the Board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

C. Cash

As required by Ohio Revised Code, the Gallia County Treasurer is custodian for the Board's cash. The Board's cash is held in Gallia County's cash and investment pool and is valued at the Gallia County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County by contacting Steve McGhee, Gallia County Treasurer, Gallia County Courthouse 18 Locust Street, Gallipolis, Ohio 45631.

D. Fund Accounting

The Board's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Board functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

GOVERNMENTAL FUNDS:

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following is the Board's only major governmental fund:

A. General Fund

The General Fund is the operating fund of the Board and is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

The other governmental funds of the Board account for grants and other resources whose use is restricted to a particular purpose.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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 of Alcohol, Drug Addiction and Mental Health Services must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Budgetary Basis Fund Balances

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents that difference for the Board's Major Fund:

	General Fund
Budgetary Basis Fund Balance	\$ 1,389,884
Encumbrances	109,915
Fund Cash Balance	\$ 1,499,799

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as liability under the Board's basis of accounting.

H. 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. Non spendable

The non-spendable 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.

2. Restricted

Fund balance is reported as restricted when constraints places 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.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

3. 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. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board separately from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligation to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned

Amounts in the assigned fund balance classification are intended to be used by the Board 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 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.

If the Board has any unassigned funds they are the last funds to be used to pay for an expenditure.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Balance (Continued)

As of December 31, 2016, fund balances were composed of the following:

	General	Other Governmental Funds
Restricted Funds		\$ 85,651
Assigned	\$ 109,915	
Unassigned Funds	\$ 1,389,884	
Total Fund Balances	\$ 1,499,799	\$ 85,651

2. DEFINED BENEFIT PENSION PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Board employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Board employees) may elect the member-directed plan and the combined plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. DEFINED BENEFIT PENSION PLANS (Continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. DEFINED BENEFIT PENSION PLANS (Continued)

	State and Local	
2016 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2016 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Board's contractually required contribution was \$43,883 for year 2016.

3. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

3. POST EMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Township's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$6,269, \$7,558 and \$7,904, respectively. The full amount has been contributed for all three years.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL, DRUG ADDICTION
AND MENTAL HEALTH SERVICES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability and
- Directors and Officers liability.

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state and federal government. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any would not be material.

6. ENCUMBRANCE COMMITMENTS

At December 31, 2016, the board had encumbrance commitments in the Governmental Funds as follows:

General Fund	\$ 109,915
Other Governmental Funds	<u>\$ 29,470</u>
Total Encumbrances	<u>\$ 139,385</u>



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*

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
Gallia County
53 Shawnee Lane
P.O. Box 514
Gallipolis, Ohio 45631

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County, Ohio (the Board) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated July 19, 2017, wherein we noted the Board 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2016-001 to be a material weakness.

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*.

Entity's Response to Findings

The Board's response to the Finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

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

July 19, 2017

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2016-001

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Assigned Fund Balance in the General Fund was overstated by \$29,470 and Unassigned Fund Balance was understated by \$29,470 due to including Other Governmental Fund encumbrances in the General Fund.
- Charges for Services - Administrative receipts and Contracts - Administrative disbursements were understated in the Other Governmental Funds by \$19,820.
- In the Budget and Actual Budget Basis General Fund Statement (BVA), Grant Receipts in the Actual column were understated by \$30,194, Contract Services Disbursements in the Actual column were overstated by \$2,129, Travel and Expenses Disbursements in the Actual column were understated by \$61, Other Expenses Disbursements in the Actual column were understated by \$13,768, and Prior Year Encumbrances Appropriated were understated by \$6,610.

The Alcohol, Drug Addiction, and Mental Health Services (ADAMH) Fund and the Family and Children First Council (FCFC) Funds are maintained in one fund at the County Level. The Fiscal Officer then has to maintain spreadsheets to separate activity between the entities and funds. The ADAMH has one fund and the FCFC has three funds that the Fiscal Officer maintains separately on her records. This has caused or contributed to the reclassifications and adjustments as noted above.

The Fiscal Officer should exercise care in preparing the annual financial statements to ensure the Board's financial statements and notes to the financial statements are complete and accurate. Each separate fund should be established at the County level to ensure activity is being properly recorded within each fund.

Officials' Response:

All of the financial statements for CY2016 reflect the adjustments above.

Below is the response to the FCFC's Schedule of Findings about the Charges for Services – Administration and the Contracts – Administrative line items.

Instructions from AOS stemming from the ADAMHS Board audit for CY2015 were incorporated into these FCFC financial statements regarding Transfers In/Out. Upon receiving the list of adjustments it is now noted and changes have been made. The line item transfers will not be used, but will be reported as Charges for Services – Administrative in Receipts and Contracts – Administrative in disbursements.

Steps are being taken to meet with the proper County employee's to separate the FCFC funds from the GJM Board of ADAMHS funds. A date of January 1, 2018 is what we are shooting for to have the new funds established.

This page intentionally left blank.



Dave Yost • Auditor of State

**GALLIA – JACKSON – MEIGS ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES
BOARD**

GALLIA 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
AUGUST 1, 2017**