



OHIO AUDITOR OF STATE
KEITH FABER



**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF
LOGAN AND CHAMPAIGN COUNTIES
LOGAN COUNTY
JUNE 30, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements, and Change in Fund Balance (Cash Basis) – General Fund	3
Notes to the Financial Statement	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

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INDEPENDENT AUDITOR'S REPORT

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

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

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balance, receipts and disbursements, and related notes of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County, Ohio (the Board) as of and for the fiscal year ended June 30, 2018.

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 statements 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

Though the Board does not intend the 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 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, 2018, and the respective change in financial position thereof for the fiscal year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance, receipts and disbursements, and related notes of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County as of June 30, 2018, for the fiscal 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2019

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General
Cash Receipts	
Property Taxes	\$1,304,505
Intergovernmental	2,557,220
Rental Receipts	72,678
Contributions	20,280
Miscellaneous	60,194
<i>Total Cash Receipts</i>	4,014,877
 Cash Disbursements	
Current:	
Salaries	333,525
Benefits	158,907
Purchased Services	3,111,573
Dues and Memberships	560
Board Operations	79,016
Supplies and Materials	15,231
Rental	31,315
Advertising and Printing	8,991
Contract Labor	60,998
Travel and Training	14,088
Professional fees	12,534
Repairs	9,152
<i>Total Cash Disbursements</i>	3,835,890
 <i>Net Change in Fund Cash Balance</i>	178,987
 <i>Fund Cash Balance, July 1</i>	2,340,232
 Fund Cash Balance, June 30	
Restricted	2,475,199
Unassigned	44,020
 <i>Fund Cash Balance, June 30</i>	\$2,519,219

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

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

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. ACCOUNTING BASIS

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

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

C. DEPOSITS AND INVESTMENTS

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

D. FUND ACCOUNTING

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

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

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

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GENERAL FUND

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

E. BUDGETARY PROCESS

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

1. APPROPRIATIONS

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

2. ESTIMATED RESOURCES

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

3. ENCUMBRANCES

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

A summary of 2018 budgetary activity appears in Note 2.

F. FUND BALANCE

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

1. NONSPENDABLE

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

2. RESTRICTED

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

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

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. COMMITTED

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

4. ASSIGNED

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

5. UNASSIGNED

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

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The Board had outstanding encumbrances of \$210,122 as of June 30, 2018.

G. PROPERTY, PLANT, AND EQUIPMENT

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

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial 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, 2018
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the fiscal year ending June 30, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,883,122	\$4,014,877	\$131,755

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,194,445	\$4,046,012	\$148,433

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

4. RETIREMENT SYSTEM

The Board's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries, and the Board contributed an amount equaling 14% of participants' gross salaries. The Board has paid all contributions (\$55,517) required through June 30, 2018.

**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, 2018
(Continued)**

5. RISK MANAGEMENT

COMMERCIAL INSURANCE

The Board has obtained commercial insurance for the following risks:

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

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

6. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow in future periods. However, based on prior experience, management believes any refunds would be immaterial to its financial statement as of June 30, 2018.

7. POST-EMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

8. LONG-TERM OBLIGATIONS

The Board has entered into eleven 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.

**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, 2018
(Continued)**

8. LONG-TERM OBLIGATIONS (CONTINUED)

Long term obligations as of June 30, 2018, consist of the following:

Mortgage	Original Loan Balance	Monthly Installments	Expiring	Balance 2018
MHAS	\$818,084	\$1,704	November 2033	\$313,739
MHAS	125,000	260	September 2035	53,713
MHAS	154,488	322	August 2041	83,944
MHAS	208,512	434	April 2042	129,200
MHAS	76,000	158	August 2043	47,665
MHAS	213,750	445	November 2049	167,474
MHAS	180,000	500	April 2043	148,641
MHAS	53,500	149	April 2044	46,074
MHAS	53,500	149	April 2044	46,074
MHAS	100,000	278	March 2045	89,176
MHAS	95,000	261	September 2045	86,304
				<u>\$1,212,004</u>
* Non-Interest Bearing			Total MHAS Forgiven:	\$55,985

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

Periods ending	
30-Jun-19	\$55,985
30-Jun-20	55,985
30-Jun-21	55,985
30-Jun-22	55,985
30-Jun-23	55,985
June 30, 2024 - June 30, 2028	279,927
June 30, 2029 - June 30, 2033	279,927
June 30, 2034 - June 30, 2038	175,576
June 30, 2039 - June 30, 2043	146,705
June 30, 2044 - June 30, 2048	42,815
June 30, 2049 – June 30, 2053	7,129
	<u>\$1,212,004</u>

*Amounts may vary year to year

Principal forgiven by the Ohio Department of Mental Health and Addiction Services during the fiscal year ended June 30, 2018, totaled \$55,985.

**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, 2018
(Continued)**

9. RENTAL RECEIPTS

The Board has entered into a lease as lessor for the property located at 1521 N. Detroit Street, West Liberty, Ohio (also known as the Mental Health Center) with Consolidated Care, Inc. (CCI), a funded agency of the Board. Rental receipts for the fiscal year ended June 30, 2018, totaled \$72,678, of which CCI paid \$30,300.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balance, receipts, and disbursements of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County, (the Board) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statement and have issued our report thereon dated March 1, 2019 wherein we noted the Board followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2019

OHIO AUDITOR OF STATE
KEITH FABER



MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LONG AND CHAMPAIGN

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
MARCH 26, 2019**