

***PLATT COUNTY MENTAL HEALTH CENTER***

***ANNUAL FINANCIAL REPORT***

***For the fiscal year ended June 30, 2019***



# **PIATT COUNTY MENTAL HEALTH CENTER**

## **CONTENTS**

**June 30, 2019**

---

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1 and 2</b>
-------------------------------------	----------------

---

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3 - 6</b>
---	--------------

---

<b>Statements of Net Position</b>	<b>7</b>
-----------------------------------	----------

<b>Statements of Revenues, Expenses and Changes in Net Position</b>	<b>8</b>
---	----------

<b>Statements of Cash Flows</b>	<b>9</b>
---------------------------------	----------

<b>Notes to Financial Statements</b>	<b>10 - 15</b>
--------------------------------------	----------------

---

<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>16 and 17</b>
---	------------------

---



1353 E. Mound Rd., Suite 300  
Decatur, Illinois 62526-9344  
PH: (217) 875-2655  
FAX: (217) 875-1660  
www.mckcpa.com

## **INDEPENDENT AUDITORS' REPORT**

**Members of the Board  
Piatt County Mental Health Center  
Monticello, Illinois**

**We have audited the accompanying financial statements of Piatt County Mental Health Center (the Center), a component unit of Piatt County, Illinois, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.**

### **Management's Responsibility for the Financial Statements**

**Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.**

### **Auditors' Responsibility**

**Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.**

**An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.**

**We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.**

### **Basis for Qualified Opinion**

The financial statements do not disclose all required components of Governmental Accounting Standards Board Statements No. 75 *Accounting and Financial Reporting for Post-Employment Benefit Other Than Pensions* and No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

### **Qualified Opinions**

As discussed in Note 1, the financial statements present only Piatt County Mental Health Center and do not purport to, and do not, present fairly the financial position of Piatt County, Illinois, as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of Piatt County Mental Health Center, a component unit of Piatt County, Illinois, as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2019, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Center's internal control over financial reporting and compliance.

*MCK CPAs & Advisors*

Decatur, Illinois  
December 24, 2019

# **PIATT COUNTY MENTAL HEALTH CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2019**

## **Introduction and Financial Highlights**

Piatt County Mental Health Center (the Center) engages an independent audit firm to conduct an annual audit of the agency's financial statements. The following discussion and analysis of the Center's financial performance provides an introduction of the Center's basic financial statements for the fiscal year ended June 30, 2019. The Management's Discussion and Analysis should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Total assets of the Center exceeded total liabilities at the close of fiscal year 2019 by \$ 1,755,192, which represents a decrease of \$ 151,437 from FY18. Total assets also reflect net assets of \$ 354,122 that are invested in capital assets, a decrease of \$ 41,473. Total liabilities for FY19 were \$ 81,239, which is \$ 11,503 more than at the end of FY18, primarily due to increase in operating accounts payable.

## **Overview of Financial Statements**

The Center's basic financial statements consist of two components: 1) proprietary fund financial statements, and 2) notes to the financial statements.

### Proprietary Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All funds of the Center are considered proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The statements of net position present information on all of the Center's assets and liabilities, with the difference between the two reported as net position. The statements of revenues, expenses and change in net position present information showing how net position changed during the most recent fiscal years using the accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Financial Information from Proprietary Fund Financial Statements**

### Total Assets and Net Assets

The largest components of Piatt County Mental Health Center's total assets are accounts receivable, cash, and investments. Total assets of the Center in FY19 were \$ 1,482,309, a decrease of \$ 98,461 from FY18 which is largely attributed to a decrease in cash reserves due to a reduction of some state funded grants and a decrease in accounts. Of the Center's total assets, cash and cash equivalents equal \$ 90,787 (\$ 28,384 more than FY18) and investments equal \$ 1,123,746 (\$ 73,683 less than FY18). Accounts receivable reflect a decrease from FY18 of \$ 51,716 in FY19. This is a result of increased individual collections and MCOs now being established and paying regularly, as well as the state paying regularly.

### Total Liabilities

The largest components of the Center's liabilities include accounts payable (bills not yet received or paid at the close of the fiscal year), unpaid wages and accrued employee benefits. FY19 reflects an increase of accounts payable and other current liabilities of \$ 11,503 over FY18. In FY19, assets exceeded liabilities by \$ 1,755,192 compared to \$ 1,906,629 in FY18 (a \$ 151,437 decrease).

### Revenues

Piatt County Mental Health Center prepares an annual budget for the fiscal year. The FY19 budget expected operating revenues of \$ 1,876,607 compared to \$ 1,613,547 in FY18, a 16.30% increase. Budgeted expected revenues include transfers of \$ 221,712 from Piatt and DeWitt County for operations (an increase of \$ 6,665 from FY18) and non-operating revenue from investment income of \$ 4,430. Actual total revenue in FY19 was \$ 1,751,230 which is \$ 125,377 or 6.97% less than expected budgeted total revenue. Actual total revenue in FY19 (\$ 1,751,230) increased 6.85% (\$ 114,168) compared to FY18 figures (\$ 1,637,062).

Agency program revenues are generated from three basic sources; client fees (self-pay and insurance), Medicare and State of Illinois funding. Funding from the State of Illinois for Piatt County Mental Health Center programs are comprised of fee for service contracts, grants and Medicaid services. In FY19, Managed Care Organizations participation in the State of Illinois Medicaid program decreased to three and many participants were transferred back and forth between MCOs and a standard state Medicaid Plan. The agency received a decrease of \$ 14,464 for the SAPS contract as well as a decrease of \$ 62,151 for the SPF-PFS contract due to the one time project requested by the state in FY18. A federal DFC grant was received in the amount of \$ 60,408. Out-patient therapy has experienced increases in client numbers, but an increase in the numbers on Medicaid, MCO or Medicare, resulting in lower reimbursements than previous years. Developmental Services has experienced fluctuations in client numbers, both with receiving new clients and losing new clients by either moving away or death. The changes in number of clients has accounted for an increase in revenue for Developmental Services of \$ 72,353. Community Employers and an increase in the number of clients receiving job coaching resulted in an increase of \$ 9,684.

Additional miscellaneous revenue (contributions and designated gifts) and non-operating revenue (investment income) includes donated time by coalition and community members valued at \$ 27,447 to support the DFC grant as matching support is required.

## **Financial Information from Proprietary Fund Financial Statements, continued**

### Expenses

Total operating expenses for the agency in FY19 were \$ 1,902,667 and were 4.95% higher (\$ 89,850) compared to FY18 total expenses of \$ 1,812,817. In FY19, total actual personnel expense (\$ 1,531,321) represents 80.48% of total agency expenses and is 2.03% higher than FY18 actual figures. For the last six years, total actual personnel expenses have comprised approximately 80-85% of total agency expenses. Personnel expenses increased due to the addition of Developmental Services staff. Included in these expenses are the cost of staff, their related benefits and consultants including the psychiatrist, and computer consultant.

Consumable expenses including occupancy, transportation and other expenses represented 16.19% of total agency expenses for FY19. Total FY19 agency consumables increased 23.38% (\$ 58,381) from FY18 levels. Approximately 20% of consumable expense was for client transportation costs.

### Transfers

Piatt County contributes toward the Center's operations by supporting employee FICA, unemployment, workers' compensation and IMRF as well as corporate liability insurance. In FY19, the County contributed \$ 200,798 compared to \$ 187,856 in FY18, representing a 6.89% increase. These contributions are represented as a portion of program expenses and are reflected as intergovernmental transfers between Piatt County Mental Health Center and the County of Piatt. The cost of these expenses for any employee working in DeWitt County is either reimbursed by the DeWitt County Mental Health Board or paid for by the Center's earned revenue. The cost of health benefits for employees is paid for by the Center's earned revenue.

### Change in Net Assets

Net assets for FY18 were \$ 1,906,629. Net assets for FY19 are \$ 1,755,192, a decrease of \$ 151,437.

## **Financial Analysis**

### Overall Financial Position

Despite increasing expense with little to no increase in reimbursement rates, particularly for behavioral health services, Piatt County Mental Health Center's financial position remains stable. Adjusting staffing levels, maximizing productivity and developing more efficient processes have enabled the agency to keep expenses lower and improve billing. Restructured health benefits continued to create additional savings which helped lower overall expenses, and the agency experienced an increase of only 4.8% in FY19. FY19 revenues are approximately 6.71% higher than actual FY18 figures; FY19 expenses were 4.96% more for that same period which still yielded a negative margin of \$ 151,437 for the year.

### Variations between Budget and Actual Amounts

Significant variations between FY19 budgeted and actual amounts were noted in the discussion of total agency revenue and total agency expenses. Overall, FY19 agency revenues were \$ 125,377 less than budgeted amounts. Total agency expenses were \$ 49,538 less than budgeted amounts. The revenue variance is directly related to a loss of clients in the developmental services area as mentioned previously. The expense variance was kept at a lower ratio almost exclusively attributed to staff reduction and restructuring in programs impacted by reduced funding, and efficiencies in financial/accounting processes.

## **Financial Analysis, continued**

### **Capital Assets**

The capital assets of the Piatt County Mental Health Center are those assets (equipment and furnishings) that are used in the performance of program functions. At June 30, 2019, capital assets of the Piatt County Mental Health Center totaled \$ 1,055,255 (2018 - \$ 1,040,801). Depreciation on capital assets is recognized in the proprietary fund financial statements. Total accumulated depreciation for improvements, furnishings, and equipment was \$ 701,133 at June 30, 2019 (2018 - \$ 645,206).

### **Relevant Factors and Conditions**

Almost all state funded programs are fee for service with the exception of three program grants. Changes in Medicaid billing submission guidelines coupled with the conversion to MCOs and payment delays create financial management challenges that require ongoing monitoring diligence to ensure all revenue is captured for these programs. The State's desire to manage Medicaid costs more effectively through care coordination initiatives and the pending implementation of the Affordable Care Act on the federal level offer opportunities for partnership and expansion of programming. Evaluating the next steps in preparation for these initiatives may require infrastructure improvements and the development of new programs.

### **Request for Information**

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the Piatt County Mental Health Center's accountability for the funds it receives. Questions about this report may be directed to:

Darlene Baker  
Chief Financial Officer  
1921 N. Market Street  
Monticello, Illinois 61856-8144  
(217) 762-5371  
[dbaker@piattmhc.org](mailto:dbaker@piattmhc.org)

OR

Tony Kirkman, LCPC  
Executive Director  
1921 N. Market Street  
Monticello, Illinois 61856-8144  
(217) 762-5371  
[tkirkman@piattmhc.org](mailto:tkirkman@piattmhc.org)



**PIATT COUNTY MENTAL HEALTH CENTER**

**STATEMENTS OF NET POSITION**

**June 30, 2019 and 2018**

	2019	2018
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 90,787	62,403
Accounts receivable	234,644	286,360
Investments	1,123,746	1,197,429
Prepaid expense	33,132	34,578
Total current assets	1,482,309	1,580,770
Noncurrent Assets:		
Capital assets:		
Building, fixtures, and equipment	1,055,255	1,040,801
Less accumulated depreciation	(701,133)	(645,206)
Total noncurrent assets	354,122	395,595
TOTAL ASSETS	1,836,431	1,976,365
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable and other current liabilities	19,948	11,002
Wages payable	10,481	12,504
Accrued expenses	50,810	46,230
TOTAL LIABILITIES	81,239	69,736
<b><u>NET POSITION</u></b>		
Invested in capital assets	354,122	395,595
Unrestricted	1,401,070	1,511,034
TOTAL NET POSITION	\$ 1,755,192	1,906,629

See Notes to Financial Statements.

**PIATT COUNTY MENTAL HEALTH CENTER**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

**Years ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
Operating revenues:		
Fees for services	<b>\$ 1,161,843</b>	1,102,254
Grants	<b>274,504</b>	284,447
Miscellaneous	<b>103,489</b>	56,365
Total operating revenues	<b>1,539,836</b>	1,443,066
Operating expenses:		
Salaries, wages, consultants and related expenses	<b>1,531,321</b>	1,500,871
Consumables, occupancy, transportation, and other expenses	<b>308,100</b>	249,719
Depreciation expense	<b>63,246</b>	62,227
Total operating expenses	<b>1,902,667</b>	1,812,817
Operating loss	<b>(362,831)</b>	(369,751)
Non-operating revenue:		
Investment income	<b>8,557</b>	6,141
Gain (loss) on disposal of asset	<b>2,040</b>	(536)
Loss before operating transfers	<b>(352,234)</b>	(364,146)
Transfers received from Piatt County for operations	<b>200,797</b>	187,855
Change in net position	<b>(151,437)</b>	(176,291)
Net position, beginning of year	<b>1,906,629</b>	2,082,920
Net position, end of year	<b>\$ 1,755,192</b>	1,906,629

See Notes to Financial Statements.

**PIATT COUNTY MENTAL HEALTH CENTER**

**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from fees for services	\$ 1,213,559	1,015,678
Grant income received	274,504	284,447
Miscellaneous revenue	103,489	56,365
Payments to employees	(1,528,764)	(1,492,879)
Payments to suppliers	(297,708)	(259,636)
<b>Net cash flows from operating activities</b>	<b>(234,920)</b>	<b>(396,025)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers received from Piatt County for operations	200,797	187,855
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Purchase of capital assets	(21,772)	(86,892)
Sale of capital assets	2,039	
<b>Net cash flows from capital activities</b>	<b>(19,733)</b>	<b>(86,892)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Certificate of deposit activity, net	73,683	(4,393)
Investment income	8,557	6,141
<b>Net cash flows from investing activities</b>	<b>82,240</b>	<b>1,748</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>28,384</b>	<b>(293,314)</b>
<b>Cash and cash equivalents, beginning</b>	<b>62,403</b>	<b>355,717</b>
<b>Cash and cash equivalents, ending</b>	<b>90,787</b>	<b>62,403</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS BY OPERATING ACTIVITIES</b>		
Operating loss	(362,831)	(369,751)
Adjustments to reconcile operating loss to net cash flows by operating activities:		
Depreciation	63,246	62,227
Bad debt and other write-offs	10,151	11,561
(Increase) decrease in assets:		
Accounts receivable	41,565	(98,137)
Prepaid expense	1,446	(9,990)
Increase (decrease) in liabilities:		
Accounts payable and other current liabilities	8,946	73
Wages payable	(2,023)	2
Accrued vacation payable	4,580	7,990
<b>Net cash flows from operating activities</b>	<b>\$ (234,920)</b>	<b>(396,025)</b>

See Notes to Financial Statements.

## PIATT COUNTY MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

---

#### Note 1 - Significant Accounting Policies

**Nature of Operations:** The Piatt County Mental Health Center (Center), a component unit of Piatt County, Illinois, was created via a resolution by the Piatt County, Illinois board on July 14, 1970, to provide mental health services to the residents of Piatt County, Illinois.

**Reporting Entity:** The Center has developed criteria to determine whether outside agencies should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Center exercises oversight responsibility which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters, scope of public service, and special financing relationships. The Center has determined that no such agencies meet those criteria.

Based on those same criteria, Piatt County, Illinois (County) has determined that the Center is a component unit of the County and thus is included in the financial report of the County as a discretely presented component unit.

**Basis of Presentation and Accounting:** The Center operates as a proprietary fund type, specifically an enterprise fund, where the intent of the Center is that costs of providing services to the residents of Piatt County, Illinois, on a continuing basis be financed or recovered primarily through user charges. These user charges are recovered from client fees, third parties, and through programs funded by State of Illinois social service agencies such as the Department of Human Services (DHS).

The Center applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and, as appropriate, Financial Accounting Standards Board (FASB) pronouncements and the like. No major pronouncements were implemented in the current year.

The accounting and financial reporting treatment applied to the Center is determined by its measurement focus. The transactions of the Center are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) is segregated into restricted, invested in capital assets net of related debt, and unrestricted components.

Operating revenues are those revenues that are generated from the primary operations of the Center. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All Center expenses are reported as operating expenses. Finally, operating transfers include amounts paid by Piatt County on behalf of the Center.

The Center's basic financial statements are presented on the full accrual basis of accounting and conform to U.S. generally accepted accounting principles.

## PIATT COUNTY MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

---

#### Note 1 - Significant Accounting Policies, continued

**Cash and Cash Equivalents/Investments:** All deposits of the Center are made in board-designated official depositories and are secured as required by the Public Funds Investment Act. The Center may designate, as an official depository, any bank insured by the Federal Deposit Insurance Corporation or credit union with the principal office located within the State of Illinois. In addition, the Center may establish time deposit accounts such as NOW and Super-NOW accounts, money market accounts, and certificates of deposit.

For purposes of the statements of cash flows, the Center defines cash and cash equivalents as demand deposits with banks.

**Investments:** The Center invests cash in excess of current operating needs in an investment account through its bank's wealth management department. This account is shown as investments on the statements of net position, and consists of accounts in a money market account and multiple certificates of deposit. These investments are stated at original cost plus accumulated interest and are generally held until maturity.

**Accounts Receivable:** Accounts receivable are comprised of earned and unpaid services performed for clients, various State of Illinois and local agencies, and others. All receivables are current and due within one year. Receivables are reported net of an estimated allowance for uncollectible accounts. The allowance for uncollectible accounts netted with accounts receivable was \$ 10,800 for the year ended June 30, 2019 (2018 - \$ 10,800).

The Center does not charge interest for past due accounts, and it rarely turns unpaid accounts over to collection.

**Capital Assets:** Capital assets of proprietary funds are stated at cost. The cost of property additions and major replacements of retired units of property is capitalized. Interest on funds used during construction of major projects is capitalized. The cost of maintenance and minor repairs is charged to operations. Donated capital assets, if any, are valued at their estimated fair value on the date donated. The Center's capitalization threshold is \$ 1,000.

Depreciation is computed on the straight-line basis over the estimated useful lives of the various assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	10-25 years
Vehicles	5-10 years
Furniture and fixtures	7 years
Technology and equipment	3-5 years

**Compensated Absences:** Qualified Center employees are entitled to vested vacation and sick pay based upon their length of employment. A liability for all accrued vacation pay has been recorded on the statements of net position.

## PIATT COUNTY MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

---

#### Note 1 - Significant Accounting Policies, continued

**Net Assets:** Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net position are available for use, it is the Center's policy to use restricted net position first, then unrestricted as needed.

**Use of Estimates:** Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

**Budgets and Budgetary Accounting:** The Center follows these procedures in establishing its annual budget:

- 1) Prior to the beginning of the Center's fiscal year, the Center Administrator submits an application for continuation of funding to the State of Illinois Department of Human Services in connection with its preliminary grant request for its next fiscal year beginning July 1.
- 2) After the Center has received notification of its actual grant amounts, the preliminary budget is revised to include these grants, and the final budget is then submitted to both the Center's Board and the Piatt County, Illinois' Board.
- 3) The budget is then formally approved by both Boards.

The budget is adopted on a basis consistent with generally accepted accounting principles.

#### Note 2 - Support from Piatt County, Illinois

Piatt County levies for and pays a variety of expenses on behalf of the Center including: employer portion of FICA taxes, unemployment taxes, employer portion of IMRF contributions, workers' compensation and general insurance. A fair value for these services provided is included in the financial statements to provide accurate cost information, which is necessary for applications for government grants.

## **PIATT COUNTY MENTAL HEALTH CENTER**

### **NOTES TO FINANCIAL STATEMENTS (Continued)** **June 30, 2019 and 2018**

---

#### **Note 3 - Illinois Municipal Retirement Fund**

The Center, through Piatt County, is a participating member of the Illinois Municipal Retirement Fund (IMRF), which covers all of its employees who:

- a) occupy a job normally requiring 600 hours or more per year;
- b) are paid on a regular payroll from County funds;
- c) were under age seventy when first entering employment, and;
- d) are not covered by another state-created retirement system for the same service.

Employees not qualifying above are considered "nonparticipating employees" and are covered under Social Security.

All actuarial amounts related to the Center are included with the Piatt County, Illinois' payroll information and are included in the financial statements of Piatt County, Illinois, for the year ended November 30, 2019.

Since the Center is a component of a governmental unit, appropriate and full disclosures of IMRF are included in the financial statements of Piatt County, Illinois.

IMRF expense for the year ended June 30, 2019, was \$ 78,127 (2018 - \$ 79,367).

#### **Note 4 - Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. As of June 30, 2019, the Center had total bank balances of \$ 1,142,991. Of that amount, \$ 806,822 was covered by deposit insurance, \$ 336,169 was covered by collateral held by the financial institution's trust department in the Center's name, and no amount was exposed to custodial credit by being uninsured and uncollateralized.

As of June 30, 2018, the Center had total bank balances of \$ 1,204,989. Of that amount, \$ 914,079 was covered by deposit insurance, \$ 290,910 was covered by collateral held by the financial institution's trust department in the Center's name, and no amount was exposed to custodial credit by being uninsured and uncollateralized.

#### **Note 5 - Copier Lease**

During 2015, the Center entered into a 60-month lease for a copier. The monthly payment is \$ 380 plus copy fees, which will be expensed as incurred. Total rent expense related to this lease for 2019 was \$ 6,091 (2018 - \$ 6,208).

# PIATT COUNTY MENTAL HEALTH CENTER

## NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2019 and 2018

### Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type activities:				
Depreciable capital assets:				
Building	\$ 496,577	9,735		506,312
Equipment, furniture and fixtures, and building improvements	544,224	12,037	7,318	548,943
Total depreciable capital assets	1,040,801	21,772	7,318	1,055,255
Less accumulated depreciation for:				
Building	267,252	19,935		287,187
Equipment, furniture and fixtures, and building improvements	377,954	43,310	7,318	413,946
Total accumulated depreciation	645,206	63,245	7,318	701,133
Total depreciable assets, net	\$ 395,595	(41,473)		354,122

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities:				
Depreciable capital assets:				
Building	\$ 476,867	19,710		496,577
Equipment, furniture and fixtures, and building improvements	487,813	67,182	10,771	544,224
Total depreciable capital assets	964,680	86,892	10,771	1,040,801
Less accumulated depreciation for:				
Building	247,951	19,301		267,252
Equipment, furniture and fixtures, and building improvements	345,263	42,926	10,235	377,954
Total accumulated depreciation	593,214	62,227	10,235	645,206
Total depreciable assets, net	\$ 371,466	24,665	536	395,595

Total depreciation expense in 2019 was \$ 63,246 (2018 - \$ 62,227).



## **PIATT COUNTY MENTAL HEALTH CENTER**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2019 and 2018**

---

#### **Note 7 - Risk Management**

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In December 1988, Piatt County established a fund to account for and finance its uninsured risks of loss. As a component of the County, the Center participated in the program.

As of November 30, 2013, the County is no longer self-insuring these policies. There are still open workers' compensation claims, and those will be paid from this fund. The County now carries commercial insurance coverage for workers' compensation, liability, property, crime and other insurance.

The Center records an estimate for workmen's compensation and excess liability insurance expenses based on its share of current year premiums, as well as prior year claims paid out of the County's Self-Insurance Fund. It also incurs actual expenses for workers' compensation insurance paid for consumers. Total expense recorded was \$ 27,291 for the year ended June 30, 2019 (2018 - \$ 24,793).

Since the Center is a component of a governmental unit, appropriate disclosures of the potential risk liabilities and related reserves are anticipated to be included in the financial statements of Piatt County, Illinois.

#### **Note 8 - Other Postemployment Benefits**

Retirees of Piatt County may elect to maintain health insurance through the County subsequent to retirement. Such retirees are responsible for paying the full cost of all premiums. As a component unit of Piatt County, employees of the Center qualify to receive this benefit.

#### **Note 9 - Subsequent Events**

The Center has evaluated subsequent events through December 24, 2019, the date through which the financial statements were available to be issued.



1353 E. Mound Rd., Suite 300  
Decatur, Illinois 62526-9344  
PH: (217) 875-2655  
FAX: (217) 875-1660  
www.mckcpa.com

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Members of the Board  
Piatt County Mental Health Center  
Monticello, Illinois**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Piatt County Mental Health Center as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Piatt County Mental Health Center's basic financial statements, and have issued our report thereon dated December 24, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Piatt County Mental Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Piatt County Mental Health Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Piatt County Mental Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*MCK CPAs & Advisors*

Decatur, Illinois  
December 24, 2019