

***PLATT COUNTY MENTAL HEALTH CENTER***

***ANNUAL FINANCIAL REPORT***

***For the fiscal year ended June 30, 2023***



**PIATT COUNTY MENTAL HEALTH CENTER**

**CONTENTS**

**June 30, 2023**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1 - 3</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4 - 7</b>
<b>Statements of Net Position</b>	<b>8</b>
<b>Statements of Revenues, Expenses and Changes in Net Position</b>	<b>9</b>
<b>Statements of Cash Flows</b>	<b>10 and 11</b>
<b>Notes to Financial Statements</b>	<b>12 - 18</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>19 and 20</b>
<b>Summary Schedule of Prior Audit Findings</b>	<b>21</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

### Qualified Opinion

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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, 2023 and 2022, 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 effects of the matter described in the Basis for Qualified Opinion section of our report, 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, 2023 and 2022, 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.

### 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 Benefits Other Than Pensions* and No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Piatt County Mental Health Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Matters

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2024, 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 the effectiveness of the Center's 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  
January 2, 2024

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

**June 30, 2023**

**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 ending June 30, 2023. 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 2023 by \$ 1,605,622, which represents an increase of \$ 32,898 from FY22. Total assets also reflect net assets of \$ 487,964 that are invested in capital assets, a decrease of \$ 7,510. Total liabilities for FY23 were \$ 89,001, which is \$ 7,341 less than at the end of FY22, due to a decrease of accounts payable at the end of the fiscal year.

**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 cash and cash equivalents and investments. Total assets of the Center in FY23 were \$ 1,694,623, an increase of \$ 25,557 from FY22 which is largely attributed to increasing the collection of accounts receivable primarily from the state, clients able to be served, other revenues and an increase in capital due to grants received. Of the Center's total assets, cash and cash equivalents equal \$ 262,080 (\$ 232,361 more than FY22) and investments equal \$ 725,248 (\$ 2,866 more than FY22). Accounts receivable reflect a decrease from FY22 of \$ 200,878 in FY23. This is a result of collecting fees accrued during COVID from phone services and sustainability funds awarded in FY22 but not received from the state until FY23.

### 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. FY23 reflects a decrease of accounts payable and other current liabilities of \$ 7,341 over FY22. This is predominantly due to an increased adjustment of vacation and wages payable and a reduction of accounts payable from the previous year. In FY23, assets exceeded liabilities by \$ 1,605,622 compared to \$ 1,572,724 in FY22 (a \$ 32,898 increase).

### Revenues

Piatt County Mental Health Center prepares an annual budget for the fiscal year. The FY23 budget expected operating revenues of \$ 2,239,543 compared to \$ 2,404,153 in FY22, a 6.85% decrease. Budgeted expected revenues include transfers of \$ 263,575 from Piatt and DeWitt County (a decrease of \$ 63,770 from FY22) due to termination of the Monticello, Bement and DeLand-Weldon School districts for operations funding, and non-operating revenue from investment income of \$ 5,670. Actual total revenue in FY23 was \$ 2,315,120 which is \$ 75,577 or 3.37% more than expected budgeted total revenue. Actual total revenue in FY23 (\$ 2,315,120) decreased 7.61% (\$ 190,621) compared to FY22 figures (\$ 2,505,741).

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. Funding for one federal grant was also received. In FY23, Managed Care Organizations participation continued to fluctuate with mergers and combined with Medicare had an increase of \$ 52,862. The agency did not have any HHS Stimulus payments or Sustainability Funds as those were COVID related in FY22. The agency received a decrease of \$ 13,718 for the SUPS contract, which is attributed to the loss of \$ 17,635 of Sustainability Funds and the ROSC contract received a total of \$ 95,000, including the loss of \$ 14,250 in Sustainability Funds. The federal DFC grant reflected a decrease of \$ 39,121 from FY22. This was due to it being close to ending, and staff from the program left employment, which reduced that amount of revenue to be earned. Outpatient therapy experienced an increase in client numbers with the implementation of tele-health services and with the hiring of a therapist to fill the vacant position. The increase affected insurance, Medicaid and MCO revenue with an overall increase of \$ 112,200 over FY22 in client visit fees. Developmental Services has not completely increased lost client numbers related to the drop with COVID. The state increased service rates again to help with the cost of providing services. The change in service rates with the loss of client numbers has accounted for a decrease in revenue for Developmental Services CDS program of \$ 15,224. A decrease of \$ 54,898 for Community Support Services was realized due to the state changing how CSS services are reimbursed, as well as a decrease in services due to additional restrictions on staff to client ratios.

Community Employers had a decrease in the number of clients receiving job coaching as well as how job coaching services are reimbursed, and an increase in volume of in-house work for a community employer resulted in a decrease of \$ 50,154.

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

Additional miscellaneous revenue (contributions and designated gifts) and non-operating revenue (investment income) accounted for \$ 187,867 or 8.12% total actual revenue for FY23. This includes donated time by coalition and community members and other gifts in kind valued at \$ 125,859 to support the DFC grant as matching support is required. The agency received a total of \$ 190,580 of ARPA Funds through Piatt County for several capital improvements and supplementing the psychiatrist increase in services.

### Expenses

Total expenses for the agency in FY23 were \$ 2,282,222 and were 5.57% lower (\$ 134,587) compared to FY22 total expenses of \$ 2,416,809. In FY23, total actual personnel expense (\$ 1,712,213) represents 75.02% of total agency expenses and is 3.15% lower than FY22 actual figures. For the last several years, total actual personnel expenses have comprised approximately 70-75% of total agency expenses. Personnel expenses decreased due to vacant positions in the Developmental Services Department. This is in spite of an increase in insurance benefits and an increase in minimum wage and a related wage compression adjustment for Developmental Services staff. Included in these expenses are the cost of staff, their related benefits and consultants including the psychiatrist.

Consumable expenses including occupancy, transportation and other expenses represented 22.13% of total agency expenses for FY23. Total FY23 agency consumables decreased 13.60% (\$ 79,496) from FY22 levels. Approximately 17.53% of consumable expense was for client transportation costs. Donated time and contributions for the DFC grant represent 24.92% of the consumable expense.

### 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 FY23, the County contributed \$ 429,022 compared to \$ 372,431 in FY22, representing a 15.20% increase. The increase is mostly attributed to the transfer of ARPA Funds. 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 FY23 are \$ 1,605,622. Net assets for FY22 were \$ 1,572,724, an increase of \$ 32,898.

## **Financial Analysis**

### Overall Financial Position

Despite increasing expense with little to no increase in reimbursement rates 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 offset mandated wage increases and improve billing. Restructured health benefits continued to create additional savings which helped keep overall expenses down, with the agency having experienced an increase of 13.58% in FY23. FY23 revenues are approximately 7.61% lower than actual FY22 figures; FY23 expenses were 5.57% less for that same period which yielded a margin of \$ 32,898 for the year.



## **Financial Analysis, continued**

### Variations between Budget and Actual Amounts

Significant variations between FY23 budgeted and actual amounts were noted in the discussion of total agency revenue and total agency expenses. Overall, FY23 agency revenues were \$ 75,575 more than budgeted amounts. Total agency expenses were \$ 106,892 less than budgeted amounts. The revenue variance is directly related to additional funds received through the County for ARPA. The expense variance was kept at a lower due some vacant positions.

### 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, 2023, capital assets of the Piatt County Mental Health Center totaled \$ 1,386,654 (2022 - \$ 1,340,232). Depreciation on capital assets is recognized in the proprietary fund financial statements. Total accumulated depreciation for improvements, furnishings, and equipment was \$ 898,690 at June 30, 2023 (2022 - \$ 844,758).

### 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 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. Most all programs were increasing client numbers when COVID hit, abruptly stopping, or greatly reducing most programming. Since COVID has decreased, some program client numbers are increasing, but none are at the level before it hit. Some rates for community-based services were increased, however it has not offset the reduction of clients. Both Outpatient Therapy Services and Developmental Services were seeing an increase in client number at the time the pandemic hit, and continue to affect not only how but how often those services may be provided.

## **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, 2023 and 2022**

	2023	2022
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 262,080	29,719
Accounts receivable	191,126	392,004
Investments	725,248	722,382
Prepaid expense	28,205	29,487
	<u>1,206,659</u>	<u>1,173,592</u>
Noncurrent Assets:		
Capital assets:		
Building, fixtures, and equipment	1,386,654	1,340,232
Less accumulated depreciation	(898,690)	(844,758)
	<u>487,964</u>	<u>495,474</u>
Total noncurrent assets	<u>487,964</u>	<u>495,474</u>
	<u>1,694,623</u>	<u>1,669,066</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable and other current liabilities	5,663	20,684
Wages payable	19,348	15,925
Accrued vacation payable	63,990	59,733
	<u>89,001</u>	<u>96,342</u>
TOTAL LIABILITIES	<u>89,001</u>	<u>96,342</u>
<b><u>NET POSITION</u></b>		
Invested in capital assets	487,964	495,474
Unrestricted	1,117,658	1,077,250
	<u>1,605,622</u>	<u>1,572,724</u>
TOTAL NET POSITION	<u>\$ 1,605,622</u>	<u>1,572,724</u>

See Notes to Financial Statements.

**PIATT COUNTY MENTAL HEALTH CENTER**

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

**Years ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Operating revenues:		
Fees for services	\$ 1,309,827	1,329,495
Grants	322,468	520,973
Miscellaneous	250,756	277,772
	<u>1,883,051</u>	<u>2,128,240</u>
Total operating revenues	<b>1,883,051</b>	<b>2,128,240</b>
Operating expenses:		
Salaries, wages, consultants and related expenses	1,712,213	1,767,980
Consumables, occupancy, transportation and other expenses	505,021	584,517
Depreciation expense	64,988	64,312
	<u>2,282,222</u>	<u>2,416,809</u>
Total operating expenses	<b>2,282,222</b>	<b>2,416,809</b>
Operating loss	<b>(399,171)</b>	<b>(288,569)</b>
Non-operating revenue:		
Investment income	3,047	2,070
Gain on disposal of asset		3,000
American Rescue Plan Act funding	190,580	105,467
	<u>193,627</u>	<u>110,537</u>
Loss before operating transfers	<b>(205,544)</b>	<b>(178,032)</b>
Transfers received from Piatt County for operations	<b>238,442</b>	<b>266,964</b>
Change in net position	<b>32,898</b>	<b>88,932</b>
Net position, beginning of year	<b>1,572,724</b>	<b>1,483,792</b>
Net position, end of year	<b>\$ 1,605,622</b>	<b>1,572,724</b>

See Notes to Financial Statements.

PIATT COUNTY MENTAL HEALTH CENTER

STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from fees for services	\$ 1,510,705	1,159,305
Grant income received	322,468	520,973
Miscellaneous revenue	250,756	277,772
Payments to employees	(1,704,533)	(1,763,363)
Payments to suppliers	(518,760)	(586,474)
<b>Net cash flows from operating activities</b>	<b>(139,364)</b>	<b>(391,787)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers received from Piatt County for operations	238,442	266,964
American Rescue Plan Act funding	190,580	40,275
<b>Net cash flows from non-capital financing activities</b>	<b>429,022</b>	<b>307,239</b>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Purchase of capital assets	(57,478)	(55,478)
Sale of capital assets		3,000
<b>Net cash flows from capital activities</b>	<b>(57,478)</b>	<b>(52,478)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Certificate of deposit activity, net	(2,866)	58,541
Investment income	3,047	2,070
<b>Net cash flows from investing activities</b>	<b>181</b>	<b>60,611</b>
Net increase (decrease) in cash and cash equivalents	232,361	(76,415)
Cash and cash equivalents, beginning	29,719	106,134
Cash and cash equivalents, ending	<b>\$ 262,080</b>	<b>29,719</b>

(Continued)

**PIATT COUNTY MENTAL HEALTH CENTER**

**STATEMENTS OF CASH FLOWS (Continued)**

**Years ended June 30, 2023 and 2022**

	2023	2022
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (399,171)	(288,569)
Adjustments to reconcile operating loss to net cash flows by operating activities:		
Depreciation	64,988	64,312
Bad debt and other write-offs	31,334	33,192
American Rescue Plan Act funds included in accounts receivable		7,730
(Increase) decrease in assets:		
Accounts receivable	169,544	(211,112)
Prepaid expense	1,282	(1,280)
Increase (decrease) in liabilities:		
Accounts payable and other current liabilities	(15,021)	(677)
Wages payable	3,423	1,390
Accrued vacation payable	4,257	3,227
<b>Net cash flows from operating activities</b>	<b>\$ (139,364)</b>	<b>(391,787)</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Noncash transaction:		
Capital assets acquired through Piatt County	\$ -	57,462

See Notes to Financial Statements.

## PIATT COUNTY MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

---

#### 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.

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, 2023 and 2022

---

**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 \$ 10,000 for the year ended June 30, 2023 (2022 - \$ 10,000).

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, 2023 and 2022

---

#### 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.

**New Accounting Pronouncement:** Effective July 1, 2022, the Center adopted the new guidance of Statement No. 96 of the Governmental Accounting Standards Board, *Subscription-Based Information Technology Arrangements* (SBITAs). This Statement requires recognition of certain software subscription right-to-use intangible assets and liabilities that were previously expensed as paid. However, the Center has determined that the cumulative effect of initially applying the guidance has no material effect on the Center's financial position or results of operations.



## PIATT COUNTY MENTAL HEALTH CENTER

### NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023 and 2022

---

#### 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.

#### 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, 2022.

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, 2023, was \$ 66,212 (2022 - \$ 94,611).

#### 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, 2023, the Center had total bank balances of \$ 1,019,947. Of that amount, \$ 680,394 was covered by deposit insurance, \$ 339,553 was covered by collateral held by the financial institution's trust department in the Center's name, and none was exposed to custodial credit risk by being uninsured and uncollateralized.

As of June 30, 2022, the Center had total bank balances of \$ 787,245. Of that amount, \$ 679,382 was covered by deposit insurance, \$ 107,863 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.

**PIATT COUNTY MENTAL HEALTH CENTER**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2023 and 2022**

---

**Note 5 - Operating Leases**

In December 2019, the Center entered into a 60-month copier lease. The monthly payment is \$ 390 plus taxes and overages. Total rent expense related to the copier lease for 2023 was \$ 7,052 (2022 - \$ 6,412).

In August 2021, The Center entered into a month-to-month lease to occupy space for one of its programs. The monthly payment is \$ 360. Total rent expense related to occupying this space for 2023 was \$ 4,320 (2022 - \$ 3,756).

**Note 6 - Capital Assets**

Capital asset activity for the year ended June 30, 2023 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2023</b>
Business-type activities:				
Depreciable capital assets:				
Building	\$ 649,800	36,644		686,444
Equipment, furniture and fixtures, and building improvements	690,432	20,834	11,056	700,210
Total depreciable capital assets	1,340,232	57,478	11,056	1,386,654
Less accumulated depreciation for:				
Building	345,624	16,138		361,762
Equipment, furniture and fixtures, and building improvements	499,134	48,850	11,056	536,928
Total accumulated depreciation	844,758	64,988	11,056	898,690
Total depreciable assets, net	\$ 495,474	(7,510)	-	487,964

**PIATT COUNTY MENTAL HEALTH CENTER**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2023 and 2022**

**Note 6 - Capital Assets, continued**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Business-type activities:				
Depreciable capital assets:				
Building	\$ 602,950	46,850		649,800
Equipment, furniture and fixtures, and building improvements	630,297	66,090	5,955	690,432
Total depreciable capital assets	1,233,247	112,940	5,955	1,340,232
Less accumulated depreciation for:				
Building	331,831	13,793		345,624
Equipment, furniture and fixtures, and building improvements	454,570	50,519	5,955	499,134
Total accumulated depreciation	786,401	64,312	5,955	844,758
Total depreciable assets, net	\$ 446,846	48,628	-	495,474

Total depreciation expense in 2023 was \$ 64,988 (2022 - \$ 64,312).

**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 \$ 32,519 for the year ended June 30, 2023 (2022 - \$ 32,954).

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.

**PIATT COUNTY MENTAL HEALTH CENTER**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2023 and 2022**

---

**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 January 2, 2024, 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, a component unit of Piatt County, Illinois, as of and for the year ended June 30, 2023, 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 January 2, 2024.

**Report on 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) as a basis for designing 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 Piatt County Mental Health 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 or significant deficiencies. However, material weaknesses and significant deficiencies may exist that have not been identified.

### Report on 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 financial statements. 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  
January 2, 2024

PIATT COUNTY MENTAL HEALTH CENTER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2023

---

**Material Weakness**

***2022-001 Supervision and Review of the Billing Function***

Condition: During our testing, we noted that billings for fees for services were incomplete and understated for programs 61H, 62H, and 63H.

Recommendation: We recommended that management implement and follow consistent procedures, review reports for completeness before submitting, and investigate fluctuations that occur from month to month.

Current Status: No incomplete or understated billings were discovered during our current year testing. Management continues to review billing reports for completeness.