



Dave Yost • Auditor of State

**MENTAL HEALTH AND RECOVERY BOARD
BELMONT COUNTY
DECEMBER 31, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mental Health and Recovery Board
Belmont County
99 North Sugar Street
St. Clairsville, Ohio 43950

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio (the Board), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio, as of December 31, 2016, and the respective changes in cash financial position and the budgetary comparison for the Mental Health and Recovery Board fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the Table of Contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2017, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 14, 2017

Mental Health and Recovery Board
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The discussion and analysis of the Mental Health and Recovery Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2016, within the limitations of the Board's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position of governmental activities increased \$884,682 or 33 percent.
- The Board's general receipts accounted for \$3,411,556 in receipts or 85.2 percent of all receipts, and are primarily property taxes and unrestricted grants and entitlements. Program specific receipts in the form of operating grants and contributions accounted for \$591,117 or 14.8 percent of total receipts of \$4,002,673.
- The Board had \$3,117,991 in disbursements related to governmental activities; only \$591,117 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$3,411,556 were adequate to provide for these programs.
- The Board's major fund had \$4,002,673 in receipts and \$3,117,991 in disbursements. The cash fund balance increased \$884,682.

Using the Basic Financial Statement

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's cash basis of accounting.

Report Components

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the cash activities of the Board as a whole.

Fund financial statements provide a greater level of detail. A fund was created and maintained on the financial records of the Board. These statements present financial information by this fund.

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

Basis of Accounting

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

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

Mental Health and Recovery Board
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Reporting the Board as a Whole

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis reflect how the Board did financially during 2016, within the limitations of the cash basis of accounting. The Statement of Net Position – Cash Basis presents the cash balance of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for the governmental program. Program receipts include operating grants and contributions restricted to meeting the operational requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position are indicators of whether the Board's financial health is improving or deteriorating. When evaluating the Board's financial condition, you should also consider other non-financial factors as well, such as the Board's property tax base, the population base, the extent of the Board's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, the Board's activities consist of:

Governmental activities: The Board's mental health and dependency rehabilitation program services are reported here. State and federal grants and income from property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid by the people receiving them.

Reporting the Board's Fund

Fund financial statements provide detailed information about the Board's major fund. The Board established the Mental Health and Recovery Fund to manage its activities and to help demonstrate that restricted money is being spent for the intended purpose. The fund of the Board is governmental.

Governmental Fund - The Board's activities are reported in a governmental fund. The governmental fund financial statements provide a detailed view of the Board's governmental operations and the basic service it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's program. The Board's only major governmental fund is the Mental Health and Recovery Fund. The program reported in the governmental fund is closely related to those reported in the governmental activities sections of the entity-wide statements.

Mental Health and Recovery Board
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The Board as a Whole

Table 1 provides a summary of the Board's net position for 2016 compared to 2015 on a cash basis:

Table 1
Net Position – Cash Basis

	Governmental Activities	
	2016	2015
Cash Basis Assets		
Cash and Cash Equivalents	\$3,576,067	\$2,691,385
Total Assets	\$3,576,067	\$2,691,385
Net Position		
Unrestricted	3,576,067	2,691,385
Total Net Position	\$3,576,067	\$2,691,385

As mentioned previously, net position of governmental activities increased \$884,682 or 25 percent during 2016. The Board's revenue came primarily from the Ohio Department of Mental Health and Addiction Services. During the audit period, January 1, to December 31, 2016, the Board's receipts were more than expenditures. The limitations of the cash basis of accounting must be considered when analyzing this information. If accounts receivable and accounts payable had been considered at year end, the increase would have been somewhat lower.

Mental Health and Recovery Board
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2 reflects the changes in net position on a cash basis in 2016 and 2015 for governmental activities:

Table 2
Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Receipts:		
Program Cash Receipts		
Operating Grants and Contributions	\$591,117	\$597,136
Total Program Cash Receipts	591,117	597,136
General Receipts		
Property Taxes Levied for General Purposes	1,576,657	833,179
Revenue in Lieu of Taxes	6,727	12,315
Entitlements – Unrestricted	1,805,327	2,094,458
Other Receipts	22,845	14,646
Total General Receipts	3,411,556	2,954,598
Total Receipts	4,002,673	3,551,734
Disbursements:		
Mental Health and Dependency Rehabilitation:		
Salaries	263,267	294,840
Supplies	5,267	5,461
Equipment	10,284	3,691
Contracts – Repairs	17,790	16,121
Contracts – Services	2,594,341	3,018,306
Advertising and Printing	0	1,124
Travel and Expenses	12,724	10,751
Public Employees' Retirement	36,165	37,377
Worker's Compensation	6,445	4,559
Medicare	3,745	3,615
Other Expenses	167,963	138,150
Total Disbursements	3,117,991	3,533,995
Change in Net Assets	\$884,682	\$17,739

Program receipts represent 14.8 percent of total receipts and are primarily comprised of restricted operating grants and contributions.

General receipts represent 85.2 percent of the Board's total receipts, and of this amount, 46.2 percent are local taxes. State subsidies and entitlements make up the Board's general receipts representing 53.8 percent. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for the Mental Health and Dependency Rehabilitation program represent the overhead costs of running the Board and the contract services provided for the Board activities by not-for-profit agencies. The majority of cash disbursements were for contract services accounting for \$2,594,341, or approximately 83.2 percent of total cash disbursements.

Mental Health and Recovery Board
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Governmental Activities

If you look at the Statement of Activities – Cash Basis, you will see that the first column details the mental health and dependency program services provided by the Board. The major program disbursements for governmental activities were for contract services, which accounted for 83.2 percent of all cash disbursements. The next column on the Statement entitled Program Cash Receipts identifies operating grants and contributions received by the Board that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program cash receipts to the cost of the service. This “net cost” amount represents the cost of the program service which must be paid from the general receipts, which consists of property taxes, unrestricted grants and state entitlements, and other receipts. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Mental Health and Dependency Rehabilitation:				
Salaries	\$263,267	\$294,840	\$263,267	\$294,840
Supplies	5,267	5,461	5,267	5,461
Equipment	10,284	3,691	10,284	3,691
Contracts – Repairs	17,790	16,121	17,790	16,121
Contracts – Services	2,594,341	3,018,306	2,003,224	2,423,170
Advertising and Printing	0	1,124	0	1,124
Travel and Expenses	12,724	10,751	12,724	10,751
Public Employee’s Retirement	36,165	37,377	36,165	37,377
Worker’s Compensation	6,445	4,559	6,445	4,559
Medicare	3,745	3,615	3,745	3,615
Other Expenses	167,963	138,150	167,963	136,150
Total Disbursements	\$3,117,991	\$3,533,995	\$2,526,874	\$2,936,859

In 2016, the Mental Health and Recovery Board depended upon property taxes and unrestricted grants to support 81 percent of its governmental activities.

The Board’s Fund

The Board’s only governmental fund had total receipts of \$4,002,673 and disbursements of \$3,117,991. The fund balance increased \$884,682. Since 2009, the Board has experienced repeated funding reductions and in 2015 and 2016, the Board received level funding from Federal and State sources. The Board continues to plan for decreased or level funding from the Ohio Department of Mental Health and Addiction Services. The passage of a replacement with reduction levy in 2015 has made available funds to continue providing consumer services without impacting service delivery.

Budgeting Highlights

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

Mental Health and Recovery Board
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

During 2016, the revenue budget was not amended and the disbursement budget was amended to provide additional availability of services and board expenses. Also, the Board transferred funds between categories in order to meet its obligations in those line items.

Current Issues

The Board contracts with five provider agencies to deliver mental health and substance abuse services to the residents of Belmont, Harrison, and Monroe Counties.

The challenge to maintain adequate services to non-Medicaid consumers in the Board's catchment area, in spite of reduced or some level funded specific allocations, for state and federal funds, will remain an issue for counties not served by the current levy. The Board continues to work with its contract agencies to deliver appropriate and cost effective services to consumers with an increase in mental health and addiction issues. With awareness that level or future reduced funding cannot continue indefinitely, the Board and its administration will maintain careful financial planning and prudent fiscal management to maximize these services to the community.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Board's finances and to reflect the Board's accountability for the money it receives. Questions concerning any of the information should be directed to Wendy McKivitz, Fiscal Officer, at Mental Health and Recovery Board, 99 North Sugar Street, St. Clairsville, Ohio 43950.

Mental Health and Recovery Board
Statement of Net Position - Cash Basis
December 31, 2016

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$3,576,067</u>
<i>Total Assets</i>	<u>3,576,067</u>
Net Position	
Unrestricted	<u>3,576,067</u>
<i>Total Net Position</i>	<u><u>\$3,576,067</u></u>

See accompanying notes to the basic financial statements

Mental Health and Recovery Board
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Mental Health and Dependency Rehabilitation:			
Salaries	\$263,267		(\$263,267)
Supplies	5,267		(5,267)
Equipment	10,284		(10,284)
Contracts - Repairs	17,790		(17,790)
Contracts - Services	2,594,341	\$591,117	(2,003,224)
Travel and Expenses	12,724		(12,724)
Public Employee's Retirement	36,165		(36,165)
Worker's Compensation	6,445		(6,445)
Medicare	3,745		(3,745)
Other Expenses	167,963		(167,963)
<i>Total Governmental Activities</i>	\$3,117,991	\$591,117	(\$2,526,874)
General Receipts			
Property Taxes Levied for General Purposes			1,576,657
Revenue In Lieu Of Taxes			6,727
Grants and Entitlements not Restricted to Specific Programs			1,805,327
Miscellaneous			22,845
<i>Total General Receipts</i>			3,411,556
Change in Net Position			884,682
<i>Net Position Beginning of Year</i>			2,691,385
<i>Net Position End of Year</i>			\$3,576,067

See accompanying notes to the basic financial statements

Mental Health and Recovery Board
Statement of Cash Basis Assets and Cash Basis Fund Balance
Governmental Fund
December 31, 2016

	<u>Mental Health and Recovery Fund</u>
Cash Basis Assets	
Cash and Cash Equivalents	\$3,576,067
<i>Total Cash Basis Assets</i>	<u><u>\$3,576,067</u></u>
Fund Balance	
Assigned	\$334,950
Unassigned	3,241,117
<i>Total Cash Basis Fund Balance</i>	<u><u>\$3,576,067</u></u>

See accompanying notes to the basic financial statements

Mental Health and Recovery Board

Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance

Governmental Fund

For the Year Ended December 31, 2016

	<u>Mental Health and Recovery Fund</u>
Receipts	
Property Taxes	\$1,576,657
Revenue In Lieu Of Taxes	6,727
Intergovernmental Grants	2,396,444
Miscellaneous	22,845
	<hr/>
<i>Total Cash Receipts</i>	4,002,673
	<hr/>
Disbursements	
Current:	
Salaries	263,267
Supplies	5,267
Equipment	10,284
Contracts - Repairs	17,790
Contracts - Services	2,594,341
Travel and Expenses	12,724
Public Employee's Retirement	36,165
Worker's Compensation	6,445
Medicare	3,745
Other Expenses	167,963
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<i>Total Cash Disbursements</i>	3,117,991
	<hr/>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	884,682
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<i>Cash Basis Fund Balance Beginning of Year</i>	2,691,385
	<hr/>
<i>Cash Basis Fund Balance End of Year</i>	<u><u>\$3,576,067</u></u>

See accompanying notes to the basic financial statements

Mental Health and Recovery Board
Statement of Cash Receipts, Cash Disbursements, and Changes
In Cash Fund Balance - Budget and Actual - Budget Basis
Mental Health and Recovery Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$1,523,802	\$1,523,802	\$1,576,657	\$52,855
Revenue In Lieu Of Taxes	\$0	\$0	\$6,727	\$6,727
Intergovernmental Grants	2,355,561	2,355,561	2,396,444	40,883
Miscellaneous	7,000	7,000	22,845	15,845
<i>Total Cash Receipts</i>	<u>3,886,363</u>	<u>3,886,363</u>	<u>4,002,673</u>	<u>116,310</u>
Disbursements				
Current:				
Salaries	264,307	264,307	263,267	1,040
Supplies	8,374	7,924	6,217	1,707
Equipment	12,700	12,000	10,284	1,716
Contracts - Repairs	12,898	30,898	20,790	10,108
Contracts - Services	3,021,498	3,076,498	2,894,341	182,157
Advertising and Printing	1,000	1,000	0	1,000
Travel and Expenses	12,513	14,813	13,724	1,089
Public Employee's Retirement	37,003	37,003	36,165	838
Worker's Compensation	2,735	7,735	6,445	1,290
Unemployment Compensation	0	0	0	0
Medicare	3,686	3,986	3,745	241
Other Expenses	150,847	282,547	197,963	84,584
<i>Total Cash Disbursements</i>	<u>3,527,561</u>	<u>3,738,711</u>	<u>3,452,941</u>	<u>285,770</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>358,802</u>	<u>147,652</u>	<u>549,732</u>	<u>402,080</u>
<i>Unencumbered Cash Basis Fund Balance Beginning of Year</i>	2,577,535	2,577,535	2,577,535	0
Prior Year Encumbrances Appropriated	<u>113,850</u>	<u>113,850</u>	<u>113,850</u>	<u>0</u>
<i>Unencumbered Cash Basis Fund Balance End of Year</i>	<u><u>\$3,050,187</u></u>	<u><u>\$2,839,037</u></u>	<u><u>\$3,241,117</u></u>	<u><u>\$402,080</u></u>

See accompanying notes to the basic financial statements

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Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Mental Health and Recovery Board, Belmont County (the Board), is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

The Board is directed by an eighteen-member Board. Members shall be residents of the District. The Director of the Ohio Department of Mental Health and Addiction Service shall appoint eight members and the remaining ten members shall be appointed by the County Commissioners of Belmont, Harrison, and Monroe counties proportionate to population. The Board provides alcohol, drug addiction, and mental health services and programs to citizens of the Board area. These services are provided primarily through contracts with not-for-profit agencies.

Primary Government

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards, and agencies that are not legally separate from the Board.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Board participates in the Eastern Alliance Council of Governments, which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is discussed in Note 9.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. Following are the more significant of the Board's accounting policies.

Basis of Presentation

The Board's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Board that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Board has no business-type activities. The statement of net position presents the cash balance of the governmental activities of the Board at year end. The statement of activities compares disbursements and program receipts for each program or function of the Board's governmental activities and business-type activities.

Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Board, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a *modified* cash basis or draws from the general receipts of the Board.

Fund Accounting

The Board uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The fund of the Board is governmental.

Governmental Funds Governmental funds are those through which most governmental functions of the Board are financed. The following is the Board's major governmental fund:

Mental Health and Recovery Fund This fund accounts for a county-wide property tax levy and federal and state grants that are primarily used to pay the costs of contracts with local mental health agencies that provide services to the public.

Basis of Accounting

The Board's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board may appropriate. The appropriations resolution is the Board authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund, department, and object level for all funds.

Ohio Rev. Code Section 5705.28(C)(1) requires the Board to file an estimate of contemplated revenue and expenses with the municipalities and townships within the Board by about June 1 (forty-five days prior to July 15).

The county auditor cannot allocate property taxes from the municipalities and townships within the district if the filing has not been made.

Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Ohio Rev. Code Section 3709.28 establishes budgetary requirements for the Board, which are similar to ORC Chapter 5705 budgetary requirements. On or about the first Monday of April the Board must adopt an itemized appropriation measure. The appropriation measure, together with an itemized estimate of revenues to be collected during the next fiscal year, shall be certified to the county budget commission. Subject to estimated resources, the Board may, by resolution, transfer appropriations from one appropriation item to another, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Such appropriation modifications shall be certified to the county budget commission for approval.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budget reflect the first appropriation resolution that covered the entire year, including amounts automatically carried forward from prior years. The amount reported as the final budgeted amounts represents the final appropriations passed by the Board during the year.

Cash and Cash Equivalents

The County Treasurer is the custodian for the Board's cash and cash equivalents. The County's cash and cash equivalent pool holds the Board's cash and cash equivalents, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County.

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Board's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or a Health District official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the Mental Health and Recovery Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budget basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budget basis) amounted to \$334,950 for the Mental Health and Recovery Fund.

Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Board. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2016, was \$15.55 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$1,376,079,140	
Public Utility Personal Property	299,398,560	
Total	\$1,675,477,700	

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the County. The County Auditor periodically remits to the Board its portion of the taxes collected.

Note 5 - Risk Management

The Board 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. During 2016, the Board contracted with two companies for various types of insurance as follows:

Type of Coverage	Coverage	Deductible
Scottsdale Insurance Company:		
Directors and Officers Liability	\$2,000,000	\$0
State Auto Insurance Company:		
Building	\$260,058	\$250
Business Personal Property	\$48,898	\$250

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

The Board pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

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

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

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

Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System (Continued)

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

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

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

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

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

The Board's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2016, 2015, and 2014, were \$36,389, \$35,893, and \$39,804, respectively; 94 has been contributed for 2016, 100 percent has been contributed for 2015, and 100 percent for 2014.

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System

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

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

Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit.

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

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

The Board's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$5,198, \$5,128, and \$11,373, respectively; 94 percent has been contributed for 2016, 100 percent for 2015 and 100 percent for 2014.

Mental Health and Recovery Board
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 - Contingent Liabilities

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 9 - Jointly Governed Organizations

The Board is a member of the Eastern Alliance Council of Governments (the Council), which is a jointly governed organization, consisting of three Alcohol, Drug Addiction and Mental Health Services Boards serving Jefferson, Coshocton, Guernsey, Morgan, Muskingum, Noble, Perry, Belmont, Harrison, and Monroe counties. The Council was established under Chapter 167 of the Ohio Revised Code. The purpose of the Council is to promote cooperative agreements and coordinated action among members, state departments, and other local service entities, develop and implement joint quality improvement activities on a regular basis, plan, develop, fund and administer joint residential programming for target populations, and optimize comprehensive planning and program development.

The Council is managed by a board of trustees composed of the Executive Director, or the Director's designee, from each of its members. The continued existence of the Council is not dependent on the Board's continued participation and the Board has no equity interest or financial responsibility for the Council.

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Dave Yost • Auditor of State

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

Mental Health and Recovery Board
Belmont County
99 North Sugar Street
St. Clairsville, Ohio 43950

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio (the Board), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 14, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.ohioauditor.gov

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

June 14, 2017



Dave Yost • Auditor of State

BELMONT MENTAL HEALTH AND RECOVERY BOARD

BELMONT 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
JUNE 27, 2017**