



**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Mental Health and Recovery for Licking and Knox Counties
Licking County
1435-B West Main Street
Newark, Ohio 43055

To the Board of Trustees:

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 for Licking and Knox Counties, Licking County, Ohio (the MHR Board), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the MHR Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 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 MHR 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 MHR Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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 for Licking and Knox Counties, Licking County, Ohio, as of December 31, 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 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

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019, on our consideration of the MHR 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 MHR Board's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

September 5, 2019

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MENTAL HEALTH & RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF NET POSITION-CASH BASIS
DECEMBER 31, 2018**

	<u>Governmental Activities</u>
Assets	
Cash with Fiscal Agent	\$ 11,455,364
Total Assets	<u>\$ 11,455,364</u>
Net Position	
Restricted for Grant Programs	\$ 2,064,406
Unrestricted	<u>9,390,958</u>
Total Net Position	<u>\$ 11,455,364</u>

See accompanying notes to the basic financial statements.

MENTAL HEALTH & RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF ACTIVITIES-CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2018**

Governmental Activities	Cash <u>Disbursements</u>	<u>Program Cash Receipts</u>		Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
Salaries	\$516,085	\$91,554	\$ -	(\$424,531)
Public Employees Retirement	69,480	12,172		(57,308)
Hospitalization	70,012			(70,012)
Workers Compensation	9,488	1,483		(8,005)
Medicare	7,251	1,304		(5,947)
Travel and Board Expense	12,180	307		(11,873)
Supplies	3,132			(3,132)
Utilities/Phone	11,654	770		(10,884)
Rentals	56,792			(56,792)
Other Operational Expenses	262,224	33,741		(228,483)
Program & Contract Services	7,369,973	113,866	3,727,057	(3,529,050)
Capital Outlays	228,503		180,000	(48,503)
Total Governmental Activities	\$8,616,774	\$255,197	\$3,907,057	(\$4,454,520)
General Receipts:				
			Property Taxes Levied for General Purposes	4,535,105
			Unrestricted Grants for General Purposes	1,472,204
			Donations	666
			Reimbursements	83,743
			Total General Receipts	\$ 6,091,718
			Change in Net Position	1,637,198
			Net Position at Beginning of Year	9,818,166
			Net Position at End of Year	\$ 11,455,364

See accompanying notes to the basic financial statements.

MENTAL HEALTH & RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUND
AS OF DECEMBER 31, 2018**

	<u>General</u>
Assets:	
Cash with Fiscal Agent	\$ 11,455,364
Total Assets	<u><u>\$ 11,455,364</u></u>
Fund Balances	
Restricted for: Grant Programs	\$ 2,064,406
Assigned: Levy Reserve	117,928
Assigned: Purchase Orders	66,212
Unassigned	9,206,818
Total Fund Balances	<u><u>\$ 11,455,364</u></u>

See accompanying notes to the basic financial statements.

MENTAL HEALTH & RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES-GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>
Cash Receipts:	
Property & Other Local Taxes	\$ 4,535,105
Intergovernmental	5,379,261
Rental Receipts	33,741
Donations	666
Reimbursements	305,199
<i>Total Cash Receipts</i>	<i>\$ 10,253,972</i>
Cash Disbursements:	
Salaries	516,085
Public Employees Retirement	69,480
Hospitalization	70,012
Workers Compensation	9,488
Medicare	7,251
Travel and Board Expense	12,180
Supplies	3,132
Utilities/Phone	11,654
Rentals	56,792
Other Operational Expenses	262,224
Program & Contract Services	7,369,973
Capital Outlays	228,503
<i>Total Cash Disbursements</i>	<i>\$ 8,616,774</i>
Net Change in Fund Balance	\$ 1,637,198
Fund Balance Beginning of Year	9,818,166
Fund Balance End of Year	<u><u>\$ 11,455,364</u></u>

See accompanying notes to the basic financial statements.

MENTAL HEALTH & RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

General Fund	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Cash Receipts:				
Property & Other Local Taxes	\$4,839,000	\$4,262,900	\$4,535,105	\$272,205
Intergovernmental	3,648,536	4,224,636	5,379,261	1,154,625
Rental Receipts	21,000	21,000	33,741	12,741
Donations	-	-	666	666
Reimbursements	154,517	154,517	305,199	150,682
Total Cash Receipts	\$8,663,053	\$8,663,053	\$10,253,972	\$1,590,919
Cash Disbursements:				
Salaries	586,000	586,000	516,085	69,915
Public Employees Retirement	73,000	73,000	69,480	3,520
Hospitalization	83,000	81,000	70,012	10,988
Workers Compensation	10,000	12,000	9,488	2,512
Medicare	8,000	8,000	7,251	749
Travel and Board Expense	16,000	17,525	15,481	2,044
Supplies	9,000	9,553	7,527	2,026
Utilities/Phone	18,000	18,682	17,662	1,020
Rentals	58,000	58,000	56,792	1,208
Other Operational Expenses	330,000	337,868	323,642	14,226
Program & Contract Services	8,600,000	9,185,059	9,156,916	28,143
Capital Outlays	400,000	400,000	255,002	144,998
Total Cash Disbursements	\$10,191,000	\$10,786,687	\$10,505,338	\$281,349
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	(1,527,947)	(2,123,634)	(251,366)	1,872,268
Other Financing Sources (Uses)	-	-	-	-
Net Changes in Fund Balance	(\$1,527,947)	(\$2,123,634)	(\$251,366)	\$1,872,268
Fund Balance Beginning of Year	8,868,257	8,868,257	8,868,257	-
Prior Year Encumbrances Appropriated	949,909	949,909	949,909	-
Fund Balance End of Year	\$8,290,219	\$7,694,532	\$9,566,800	\$1,872,268

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

Mental Health & Recovery for Licking and Knox Counties, Ohio (MHR Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. In 2012, the MHR Board officially changed the name of the MHR Board from the Community Mental Health & Recovery Board of Licking and Knox Counties to Mental Health & Recovery for Licking and Knox Counties. The MHR Board is made up of eighteen members and provides funding for mental health treatment and prevention services, alcohol and drug addiction treatment, prevention, and recovery services, and other programs to citizens of Knox and Licking counties. These services are provided primarily through contracts with private and public agencies.

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the MHR Board is financially accountable. The MHR Board is financially accountable for an organization if the MHR Board appoints a voting majority of the organization's governing board and (1) the MHR Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the MHR Board is legally entitled to or can otherwise access the organization's resources; the MHR Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the MHR Board is obligated for the debt of the organization. The MHR Board is also financially accountable for any organizations that are fiscally dependent on the MHR Board in that the MHR Board approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the MHR Board, are accessible to the MHR Board and are significant in amount to the MHR Board. The MHR Board does not have any component units.

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

Note 2 – Summary of Significant Accounting Policies

These financial statements are presented on the cash basis of accounting as prescribed and permitted by the Auditor of State of Ohio. The OCBOA 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 cash basis of accounting. The following are the more significant of the MHR Board's accounting policies.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting

The MHR Board's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the MHR 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 the 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.

B. Basis of Presentation

The MHR Board's basic financial statements consist of government-wide financial statements, including a Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, and Fund Financial Statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position - Cash Basis and the Statement of Activities – Cash Basis display information about the MHR Board as a whole. These statements include the financial activities of the primary government. The MHR Board's statements are presented as governmental activities, and are generally financed through taxes, intergovernmental receipts, or other nonexchange transactions.

The Statement of Net Position – Cash Basis presents the financial position of the MHR Board at year end. The Statement of Activities – Cash Basis compares cash disbursements with program cash receipts for each of the MHR Board's governmental activities. Cash disbursements are reported by functional expense accounts used to accomplish a major service or regulatory program for which the MHR Board is responsible. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program cash receipts, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the MHR Board's general cash receipts.

Fund Financial Statements

During the year, the MHR Board segregates transactions related to certain MHR Board functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the MHR Board at this more detailed level. The focus of governmental fund financial statements is on major funds.

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The MHR Board did not present any nonmajor funds for the year ended 2018. The MHR Board had one major fund for the year ended 2018 which is described below.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Fund Accounting

The MHR Board uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the MHR Board are categorized as governmental funds.

Governmental Funds

The MHR Board classifies funds financed primarily from taxes, intergovernmental cash receipts (e.g. grants), and other nonexchange transactions as governmental funds. The MHR Board's major governmental fund is the General fund.

General - The General fund is used to account for all financial resources, except those required to be accounted for in another fund. The General fund balance is available to the MHR Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

D. Budgetary Process

All 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 ordinance, 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 MHR Board may appropriate.

The appropriations ordinance is the MHR Board's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the MHR Board. The legal level of control has been established at the fund and functional (object) expense account level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources 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 MHR Board.

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

E. Cash and Cash Equivalents

As required by Ohio Revised Code, the Licking County Treasurer is custodian for the MHR Board's cash and serves as fiscal agent. The MHR Board's cash is held in Licking County's cash and investment pool, and is valued at the County Treasurer's carrying amount.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents (Continued)

For the purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. The MHR Board values investments and cash equivalents at cost.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The MHR Board did not report any restricted assets at December 31, 2018.

G. Inventory and Prepaid Items

The MHR Board reports cash disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. 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 MHR Board's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The MHR Board recognizes the cash disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The MHR Board's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither a financing source nor capital outlay disbursement is reported at inception. Lease payments are reported when paid.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The MHR Board did not have net position restricted by enabling legislation at December 31, 2018.

M. Fund Balance Reserves/Minimum Fund Balance

In 2011, the MHR Board adopted a policy that requires the MHR Board to maintain a minimum operating reserve. The MHR Board uses a formula to determine the appropriate reserve amount and at December 31, 2018 the amount determined for operating reserve by the MHR Board was \$2,854,000. Due to the nature of the policy, the operating reserve has been included in the unassigned fund balance.

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

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

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

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

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the MHR Board or a Board 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 included in the other classifications.

The MHR 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. At December 31, 2018 the MHR Board reported no nonspendable or committed fund balance.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. No such items occurred during 2018.

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, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as an assignment of fund balance (Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,888,564 for the General fund.

Note 4 – Deposits and Investments

The Licking County Treasurer serves as the fiscal agent for the MHR Board and is responsible for investing funds in active, inactive and interim deposits.

The Ohio Revised Code restricts deposits and investments to the following:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 4 – Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of agreement must not exceed thirty days.

Protection of the MHR Board's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the MHR Board by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the MHR Board, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the MHR Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Licking County Treasurer serves as the fiscal agent for the MHR Board and the investments of Licking County funds, including the MHR Board's cash. The MHR Board maintains no control over the investment of its cash. At December 31, 2018, the carrying amount of the MHR Board's deposits was \$11,455,364.

The MHR Board relies on the Licking County Treasurer to monitor interest rate, credit and concentration of credit risk associated with the MHR Board's deposits.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2018 represent the collection of 2017 taxes. Real property taxes received in 2018 were levied after October 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentage of true value; public utility real property is assessed at 6.25 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 5 – Property Taxes (Continued)

The County is responsible for assessing property, billing, collecting, and distributing all property taxes on behalf of the MHR Board.

Note 6 – Risk Management

The MHR Board is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. The MHR Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

There have been no significant reductions in insurance coverage during the fiscal year 2018. Settled claims have not exceeded commercial excess coverage in any of the past three years.

Note 7 – Defined Benefit Pension Plan

Plan Description – MHR Board employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While members (e.g. MHR Board employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 7 – Defined Benefit Pension Plan (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

When a traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefits. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 7 – Defined Benefit Pension Plan (Continued)

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

Employer (Effective January 1, 2018):	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2018, the MHR Board’s contractually required contribution was \$70,564.

Note 8 – Postemployment Benefits

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 maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 75. 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.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 8 – Postemployment Benefits (Continued)

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 2018, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The MHR Board's contractually required contribution was \$0 for 2018.

Note 9 – Recovery of Advances

To alleviate cash flow issues at provider agencies, the MHR Board may make advances to a provider agency for services to be rendered. When advances cannot be covered by services provided in the same year, plans may be implemented and/or outstanding balances are placed on contingency for future services. At December 31, 2018, the MHR Board had outstanding advances to Behavioral Healthcare Partners of Central Ohio, Inc. (BHP), formally known as Moundbuilders Guidance Center, Inc. (MGC) which totaled \$550,170.

The BHP advance amount owed the MHR Board, shall be repaid by June 30, 2026, including a balloon payment of \$70,640 due with the last payment. Any offsets approved by the MHR Board will be applied against the Balloon Payment and then the remaining Loan Balance without reducing the minimum payments required until a repayment of all advanced funds are made. No interest shall accrue or be required to be repaid under this agreement.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 9 – Recovery of Advances (Continued)

A summary schedule of the advance repayment is shown below:

Year	<u>Repayment</u>
2019	\$47,955
2020	47,953
2021	59,941
2022	71,929
2023-2026	251,752
Balloon-2026	<u>70,640</u>
Total	<u>\$550,170</u>

Note 10 – Contingent Liabilities

A. Grants

Amounts grantor agencies pay to the MHR 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 such disallowed claims could have a material adverse effect on the overall financial position of the MHR Board at December 31, 2018.

B. Litigation

The MHR Board does not currently have any current or pending litigation. In addition, the MHR Board is unaware of any potential liability that would have a material effect on the financial position or activities of the MHR Board.

C. Mortgage Note Amortization

The MHR Board receives Capital Funds from ODMH and ODMH’s Successor Department, Ohio Mental Health and Addiction Services ”OhioMHAS” used for capital expenses. In order to assure that the funds are only used for the original purposes, ODMH and OhioMHAS have required the MHR Board to enter into long-term Mortgage Note amortization agreements. The current balances of these Note Agreements at December 31, 2018 are as follows:

Governmental Activities	Note (Years)	Interest Rate	Note Balance at <u>12/31/17</u>	2018 Note Additions	2018 Note Reductions	Note Balance at <u>12/31/18</u>
1995 River Valley Note	40	0%	\$ 80,325	\$ -	\$ (4,725)	\$ 75,600
2001 River Valley Note	40	0%	41,400	-	(1,725)	39,675
1998 Main Place Note	40	0%	119,750	-	(5,988)	113,762
2010 Main Place Note	40	0%	256,295	-	(7,989)	248,306
2017 Granville St. Note	30	0%	96,944	-	(3,333)	93,611
2018 Wooster Rd. Note	30	0%	-	180,000	(4,500)	175,500
Total Notes			<u>\$ 594,714</u>	<u>\$ 180,000</u>	<u>\$ (28,260)</u>	<u>\$ 746,454</u>

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10 – Contingent Liabilities continued (Continued)

C. Mortgage Note Amortization (Continued)

The MHR Board entered into a 30 year Mortgage and Note for \$180,000 with OhioMHAS on April 1, 2018 related to property purchased at 419 Wooster Road, Mount Vernon for a Knox County Recovery House included in the schedule above.

The properties purchased with ODMH and OhioMHAS Capital Funds are intended to provide and support grant program services; therefore, for each year the site and property is used in this manner, the fixed payment is forgiven (amortized) based on an amortization schedule provided by ODMH/OhioMHAS. If the MHR Board ceased to use the property for specified services, the remaining unamortized balance would be due and the MHR Board would be liable for the payment. The MHR Board does not anticipate any change in the use of these properties.

Note 11 – Related Party Transactions

River Valley is a resident complex that Behavioral Health Care Partners of Central Ohio, Inc. (BHP), a provider agency of the MHR Board, uses to provide Adult Care housing to program participants. In July 2014, the existing Lease Agreement was amended and restated to require BHP to pay rent of \$500 per month to the MHR Board for real property on East Main Street in Newark and pay the MHR Board \$20,000 to establish a Replacement Reserve benefiting the River Valley Facility and managed by the MHR Board.

The MHR Board entered into a lease agreement on July 1, 2010 with The Main Place. The lease agreement requires The Main Place to pay rent of \$1,000 per month to the MHR Board for real property on Third Street and East Harrison in Newark, Ohio.

The MHR Board entered into a lease agreement on December 1, 2016 with Behavioral Health Care Partners of Central Ohio, Inc. (BHP). The lease agreement requires BHP to pay rent of \$250 per month to the MHR Board for real property on 77 Granville Street in Newark and to pay the MHR Board a one-time Property Repair fund payment of \$10,000.

The MHR Board entered into a lease agreement on February 2, 2018 with Behavioral Health Care Partners of Central Ohio, Inc. (BHP). The lease agreement requires BHP to pay rent of \$250 per month to the MHR Board for real property on 419 Wooster Road in Mount Vernon and to pay the MHR Board a one-time Property Repair fund payment of \$10,000.

Note 12 - Operating Leases

The MHR Board currently leases office space and equipment including a copier and a postage machine. The terms of non-cancellable leases may vary from 12 months up to 60 months and began on various dates. Future annual minimum payments for the equipment and office space are as follows:

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 12 - Operating Leases (Continued)

For The Year Ending	Amounts
2019	\$58,411
2020	58,903
2021	58,903
2022	58,903
2023	57,298
2024	29,471
Total	<u><u>\$321,889</u></u>

Lease expense for the year ending December 31, 2018 totaled \$59,083.

**MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Passed through to Subrecipients/ Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Ohio Department of Mental Health and Addiction Services (OMHAS)</i>			
Block Grants for Prevention and Treatment of Substance Abuse			
Community Prevention - Wellness	N/A	93.959	\$ 44,120
Substance Abuse Prevention Treatment Per Capita Prevention	N/A	93.959	250,299
Substance Abuse Prevention Treatment Per Capita Treatment	N/A	93.959	411,379
Women's Prevention	N/A	93.959	29,651
Women's Treatment	N/A	93.959	159,461
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>894,910</u>
 Block Grants for Community Mental Health Services	 N/A	 93.958	 197,263
 Social Services Block Grant	 N/A	 93.667	 141,835
 Substance Abuse and Mental Health Services_Projcts of Regional and National Significance	 N/A	 93.243	 <u>197,633</u>
 TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES			 <u>1,431,641</u>
 TOTAL FEDERAL AWARDS EXPENDITURES			 <u>\$ 1,431,641</u>

The accompanying notes are an integral part of this schedule.

**MENTAL HEALTH & RECOVERY FOR LICKING AND KNOX COUNTIES
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Mental Health & Recovery for Licking and Knox Counties (MHR Board) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the MHR Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the MHR Board.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The MHR Board has elected to use up to the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The MHR Board passes certain federal awards received from the Ohio Department of Mental Health and Addiction Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the MHR Board reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the MHR Board has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

OHIO AUDITOR OF STATE KEITH FABER



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

Mental Health and Recovery for Licking and Knox Counties
Licking County
1435-B West Main Street
Newark, Ohio 43055

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities and the major fund of the Mental Health and Recovery for Licking and Knox Counties, Licking County, (the MHR Board) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the MHR Board's basic financial statements and have issued our report thereon dated September 5, 2019, wherein we noted the MHR Board uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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 MHR Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the MHR Board's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 5, 2019

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215-3506
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mental Health and Recovery for Licking and Knox Counties
Licking County
1435-B West Main Street
Newark, Ohio 43055

To the Board of Trustees:

Report on Compliance for each Major Federal Program

We have audited the Mental Health and Recovery for Licking and Knox Counties, Licking County, Ohio (the MHR Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Mental Health and Recovery for Licking and Knox Counties major federal programs for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the MHR Board's major federal programs.

Management's Responsibility

The MHR Board's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the MHR Board's compliance for each of the MHR Board's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the MHR Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the MHR Board's major programs. However, our audit does not provide a legal determination of the MHR Board's compliance.

Opinion on each Major Federal Program

In our opinion, the Mental Health and Recovery for Licking and Knox Counties complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The MHR Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the MHR Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the MHR Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 5, 2019

**MENTAL HEALTH AND RECOVERY OF LICKING AND KNOX COUNTIES
LICKING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Block Grants for Prevention and Treatment of Substance Abuse, CFDA # 93.959 Substance Abuse and Mental Health Services_Projects of Regional and National Significance, CFDA # 93.243
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES

LICKING 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
SEPTEMBER 24, 2019**