



Dave Yost • Auditor of State

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds and Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities.....	17
Notes to the Basic Financial Statements	19
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	37
Schedule of the Board's Proportionate Share of the Net Pension Liability (Ohio Public Employees Retirement System of Ohio)	38
Schedule of the Board's Contributions (Ohio Public Employees Retirement System of Ohio)	39
Notes to Required Supplementary Information	40
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41

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INDEPENDENT AUDITOR'S REPORT

Hamilton County Mental Health and Recovery Services Board
Hamilton
2350 Auburn Avenue
Cincinnati, Ohio 45219

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hamilton County Mental Health and Recovery Services Board, Hamilton, 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 accounting principles generally accepted in the United States of America; this includes 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 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 financial position of the Hamilton County Mental Health and Recovery Services Board, Hamilton, Ohio, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include management's discussion and analysis, required budgetary comparison schedule and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January XX, 2018j 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

January 3, 2018



MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the HCMHRSB for the year ended December 31, 2016. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the HCMHRSB’s financial statements.

OFFICERS

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Judge John O’Connor
Vice-Chair

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Patrick Tribbe

Financial Highlights

Major financial highlights for the year ended December 31, 2016 are:

- 90% of all expenditures made during the period were related to payments to Providers. See chart on page 8 of this Management’s Discussion & Analysis (MD&A).
- The “Total Net Position” found on the *Statement of Net Position* at year-end was \$36.3 million. Of this amount, \$27.1 million is unrestricted and may be used to meet the HCMHRSB’s ongoing obligations to consumers and creditors. See chart on page 6 of this MD&A.
- The Mental Health and Recovery Services Fund balance was \$30.3 million. Of that amount, \$22.0 million is considered non-spendable, committed and assigned, leaving \$8.3 million unassigned.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the HCMHRSB’s basic financial statements. The HCMHRSB’s financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS – The government-wide financial statements are designed to provide readers with a broad overview of the HCMHRSB’s finances in a manner similar to a private-sector business.

The Statement of Net Position – This statement presents information on all of the HCMHRSB’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the HCMHRSB is improving or deteriorating.

The Statement of Activities – This statement presents information showing how the HCMHRSB’s net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in previous or future fiscal years (e.g. uncollected taxes, earned but unused vacation leave).

HCMHRSB
Management's Discussion and Analysis
Year Ended December 31, 2016
Unaudited

Program Expenses – The HCMHRSB's expenses are for the provision of community mental health and alcohol and drug addiction services. These expenses include Agency Provider Contracts, Building Management – Substance Abuse Management and Development (SAMAD), Salaries, Benefits and Taxes, Council of Governments/Shared Healthcare and Recovery Enterprise System (SHARES), Operating Expenses, Depreciation, Auditor and Treasurer Fees and State Direct Payments.

Program Revenues – These revenues include Family Services and Treatment Levy, Health and Hospital Indigent Care Levy, State and Federal Grants, Inter-County and State Direct Payments.

General Revenues – These revenues include Property Taxes Levied for Mental Health, Grants and Contributions Not Restricted to Specific Programs, Capital & Rental Income, and Miscellaneous.

FUND FINANCIAL STATEMENTS – The accounts of the HCMHRSB are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental Fund Types – Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the HCMHRSB's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The HCMHRSB accounts for its activities using one governmental fund and that is the Mental Health and Recovery Services Fund. This fund is used to account for all financial resources relating to the operations of the community-wide mental health and alcohol and drug addiction systems.

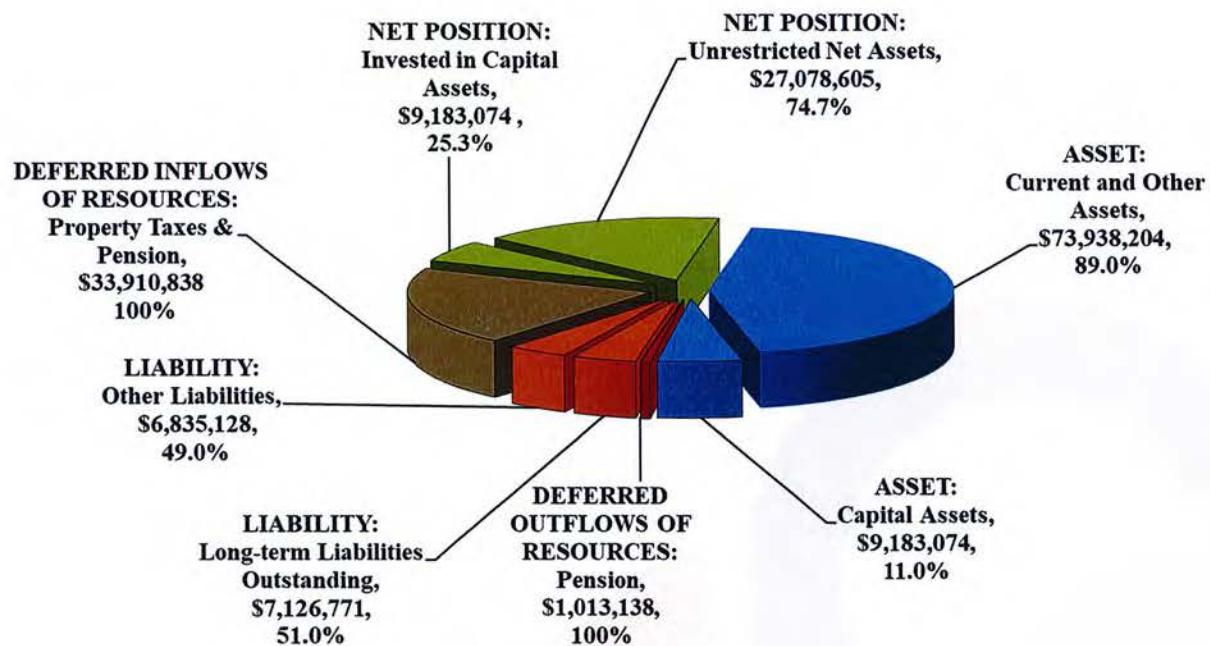
NOTES TO THE FINANCIAL STATEMENTS – The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Governmental Net Position at Year-End

The following chart, table, and subsequent analysis present a condensed summary of the HCMHRSB's overall financial position as of December 31, 2015 and 2016.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF NET POSITION - DECEMBER 31, 2016
TOTAL ASSETS: \$83,121,278
DEFERRED OUTFLOWS OF RESOURCES: \$1,013,138
TOTAL LIABILITIES: \$13,961,899
DEFERRED INFLOWS OF RESOURCES: \$33,910,838



HCMHRSB
Management's Discussion and Analysis
Year Ended December 31, 2016
Unaudited

Assets/ Liabilities/ Net position	Statement of Net Position December 31, 2015	Statement of Net Position December 31, 2016	Statement of Net Position Var. Incr. (Decr.)	State. Of N.P. % of Variance Incr. (Decr.)
Current and other assets	\$ 76,059,459	\$ 73,938,204	\$ (2,121,255)	-2.8%
Capital assets	9,619,558	9,183,074	(436,484)	-4.5%
Total assets	85,679,017	83,121,278	(2,557,739)	-3.0%
Pension	343,208	1,013,138	669,930	195.2%
Total deferred outflows of resources	343,208	1,013,138	669,930	195.2%
Long-term liabilities outstanding	6,779,568	7,126,771	347,203	5.1%
Other liabilities	9,119,524	6,835,128	(2,284,396)	-25.0%
Total liabilities	15,899,092	13,961,899	(1,937,193)	-12.2%
Property taxes	33,887,299	33,685,794	(201,505)	-0.6%
Pension	36,906	225,044	188,138	509.8%
Total deferred inflows of resources	33,924,205	33,910,838	(13,367)	-0.04%
Net Position:				
Invested in capital assets, net of related debt	9,619,558	9,183,074	(436,484)	-4.5%
Unrestricted	26,579,370	27,078,605	499,235	1.9%
Total net position (*)	\$ 36,198,928	\$ 36,261,679	\$ 62,751	0.2%

Total Assets –\$2.6 million & 3.0% Decrease:

The decrease in Assets is due primarily to:

- the reduction of Equity in Pooled Cash by \$1.1 million which is consistent with the five-year forecast for the Mental Health Levy. During the final two years of the forecast (i.e., 2016 and 2017), expenditures will exceed revenues with the deficit being funded with the cash balance in the Mental Health Levy Fund;
- the reduction of Property Taxes Receivable by of \$527 thousand due to the decrease of delinquent property taxes, as well as, the elimination of tangible personal property receipts; and
- the reduction of Due from Other Governments by \$901 thousand due to a decrease in the accrual of Family Services and Treatment (FS&T) revenue and Health and Hospital Indigent Care (HHIC) revenue. A significant amount of CY 2015 alcohol and other drug addiction services were paid in CY 2016 and accrued on the CY 2015 audit. The majority of CY 2016 services were paid during CY 2016.

HCMHR SB
Management's Discussion and Analysis
Year Ended December 31, 2016
Unaudited

Total Deferred Outflows of Resources - \$670 thousand & 195.2% Increase

Deferred Outflows of Resources is reported in accordance with GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27", which the HCMHR SB implemented during the prior year. A comparison of the components of Deferred Outflows of Resources follows:

	Deferred Outflows of Resources December 31, 2015	Deferred Outflows of Resources December 31, 2016	Deferred Outflows of Resources Variance Incr. (Decr.)	Deferred Outflows of Resources Act. % of Var. Incr. (Decr.)
Net Difference between projected and actual earnings on pension plan investments	\$ 112,091	\$ 775,427	\$ 663,336	591.8%
HCMHR SB contributions subsequent to the measurement date	231,117	237,711	\$ 6,594	2.9%
Total Deferred Outflows of Resources	\$ 343,208	\$ 1,013,138	\$ 669,930	195.2%

Total Liabilities - \$1.9 million & 12.2% Decrease

The decrease in Liabilities is due primarily to decrease in Contracts Payable. The timing in which payments were made to Providers differed significantly in CY 2016 versus CY 2015. The CY 2015 Contracts Payable included \$8.8 million of services delivered in CY 2015 that were not billed and paid until CY 2016. During CY 2016, the HCMHR SB implemented a new data management system known as SHARES. In order to allow Providers time to adjust to the new billing system, the HCMHR SB issued pre-payments to Providers during CY 2016 for services delivered in CY 2016. Each of the prepayments were then reconciled to actual SHARES claims as they were received.

Total Deferred Inflows of Resources - \$13 thousand and .04% Decrease

Deferred Inflows of Resources includes property taxes to be collected in the subsequent year, as well as, pension amounts reported in accordance with GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27". A comparison of the components of Deferred Inflows of Resources follows:

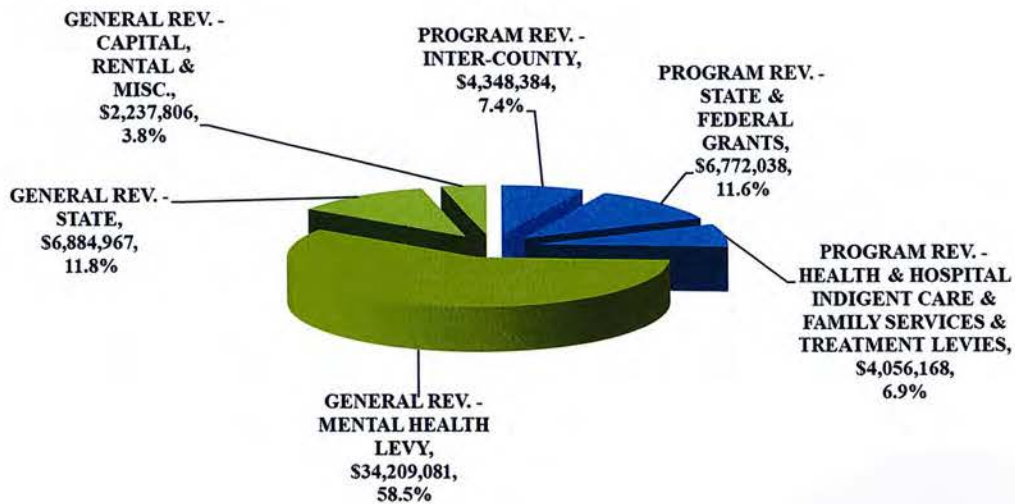
	Deferred Inflows of Resources December 31, 2015	Deferred Inflows of Resources December 31, 2016	of Resources Variance Incr. (Decr.)	of Resources Act. % of Var. Incr. (Decr.)
Property taxes collected in subsequent year	33,887,299	33,685,794	\$ (201,505)	-0.6%
Pension - differences between expected and actual experience	\$ 36,906	\$ 50,972	\$ 14,066	38.1%
Pension - change in proportion and differences between HCMHR SB contributions and proportionate share of contributions	-	174,072	\$ 174,072	100.0%
Total Deferred Inflows of Resources	\$ 33,924,205	\$ 33,910,838	\$ (13,367)	-0.04%

HCMHRSB
Management's Discussion and Analysis
Year Ended December 31, 2016
Unaudited

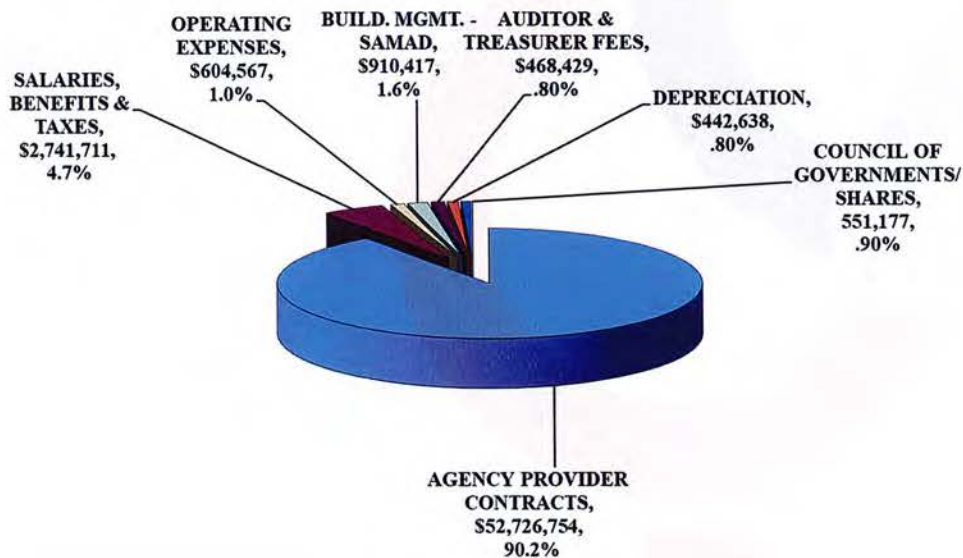
B. Governmental Activities during the year ended December 31, 2016

The following chart, table, and subsequent analysis present a condensed summary of the HCMHRSB's activities during the year ended December 31, 2016 and the resulting change in net position.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
CY 2016 STATEMENT OF ACTIVITIES - REVENUE
TOTAL REVENUE \$58,508,444



HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
CY 2016 STATEMENT OF ACTIVITIES - EXPENDITURES
TOTAL EXPENDITURES \$58,445,693



HCMHRSB
Management's Discussion and Analysis
Year Ended December 31, 2016
Unaudited

Revenues/ Program Expenses/ Change in Net Position	Statement of Activities December 31, 2015	Statement of Activities December 31, 2016	Statement of Act. Variance Incr. (Decr.)	Statement of Act. % of Var. Incr. (Decr.)
Total Program Revenues	15,202,074	15,176,590	\$ (25,484)	-0.2%
Total General Revenues	42,754,163	43,331,854	577,691	1.4%
Total Revenues	57,956,237	58,508,444	552,207	1.0%
Total Program Expenses	55,303,233	58,445,693	3,142,460	5.7%
Incr. (Decr.) in net position	2,653,004	62,751	(2,590,253)	-97.6%
Net position, begin. of year	33,545,924	36,198,928	2,653,004	7.9%
Net position, end of year	\$ 36,198,928	\$ 36,261,679	\$ 62,751	0.2%

Total Revenues – \$552 thousand & 1.0% Increase:

The increase in Total Revenues is primarily due to the receipt of new revenue dedicated to addressing the heroin epidemic. These funds were received from the Hamilton County Board of County Commissioners (HCBOCC), Tri-Health and UC Health.

Total Program Expenses - \$3.1 million & 5.7% Increase

The increase in Total Program Expenses is primarily due to an increase in Agency Provider Contracts. CY 2016 Agency Provider Contract expenditures for alcohol and other drug addiction (AOD) services total \$1.5 million more than CY 2015, while expenditures for mental health services total \$1.2 million more than CY 2015.

The increase in AOD expenditures is attributable to:

- new resources received from the HCBOCC, Tri-Health and UC Health dedicated to addressing the heroin epidemic. These new funds allowed Providers to increase treatment capacity; and
- an increase in treatment services provided as part of the Family Access to Integrated Recovery (FAIR) program. The program is a collaborative project between the HCMHRSB and the HCDJFS that provides assessment and care management for adults and children with behavioral health needs involved with HCDJFS. The HCMHRSB serves as the fiscal agent for the program.

The increase in mental health services is attributable to:

- an increase in services provided as part of the HOPE program. The HOPE Program is a collaborative project between the HCMHRSB, and the Hamilton County Departments of Job and Family Services (HCDJFS), Developmental Disabilities, and Juvenile Court. The four systems are collectively known as the Multi-County Systems Agency (MCSA). The HOPE Program provides care coordination for children and youth involved in two or more Hamilton County systems. The HCMHRSB serves as the fiscal agent for the program.

HCMHRSB
Management's Discussion and Analysis
Year Ended December 31, 2016
Unaudited

- an increase in treatment services provided as part of the FAIR program The Program is a collaborative project between the HCMHRSB and the HCDJFS that provides assessment and care management for adults and children with behavioral health needs involved with HCDJFS. The HCMHRSB serves as the fiscal agent for the program; and
- new services provided through grants received from Ohio Mental Health and Addiction Services (i.e., Restoration to Competency, and Cooperative Agreements to Benefit Homeless Individuals Enhancement)

FINANCIAL ANALYSIS OF THE MAJOR FUND

Governmental Funds

The focus of the HCMHRSB's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HCMHRSB's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the HCMHRSB's net resources available for spending as of December 31, 2016. The HCMHRSB has one governmental fund and that is the Mental Health and Recovery Services Fund. All activity of the HCMHRSB is reported in this fund.

- **Mental Health and Recovery Services Fund** – The fund balance as of December 31, 2016 was \$30.3 million including \$8.3 million of unassigned fund balance. The Mental Health and Recovery Services fund balance equals approximately 6.3 months of total governmental fund expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2016, the HCMHRSB had \$9.2 million invested in a broad range of capital assets, including land, buildings and equipment. See Note 4 to the financial statements for more details.

Capital Assets at Year-End
(Net of Depreciation)

Capital Assets At Year-End Net of Depreciation	Capital Asset Activities December 31, 2015	Capital Asset Activities December 31, 2016	Capital Asset Act. Variance Incr. (Decr.)	Capital Asset Act. % of Var. Incr. (Decr.)
Land	\$ 1,771,972	\$ 1,771,972	\$ -	0.0%
Construction in progress	-	-	-	0.0%
Buildings	7,821,994	7,388,121	\$ (433,873)	-5.5%
Furniture and equipment	25,592	22,981	\$ (2,611)	-10.2%
Total Capital Assets	\$ 9,619,558	\$ 9,183,074	\$ (436,484)	-4.5%

The net decrease is caused by the required recognition of the depreciation expense for the year ended December 31, 2016.

Long-Term Liabilities

A summary of long-term liabilities is located in Note 7.

The primary long-term debt of the HCMHR SB is related to its mortgage payable obligations. The mortgages payable of the HCMHR SB consist of loan contracts made with the OhioMHAS (\$3.0 million mental health and \$792 thousand alcohol and drug). These loan contracts are for the purchase and/or improvement of various properties in the County for use in providing mental health and/or alcohol and drug addiction services.

Required payments for accrued vacation and sick leave in the event of employee retirement or layoff, as well as accrued vacation in the event of employee resignation, constitute \$708 thousand of the HCMHR SB's long-term obligations.

Net Pension Liability was added as a new component of long-term liabilities in 2015, as a result of implementation of GASB 68. A detailed discussion regarding this liability for CY 2016 is contained Note 5.

ECONOMIC FACTORS

Entering the next 5-year planning cycle (2018-2022), major policy changes are again expected to significantly affect publicly funded behavioral health care in Ohio. At the national level, potential repeal of the Affordable Care Act and reduced Medicaid funding is expected to exclude from Medicaid coverage a significant portion of the population with behavioral health issues. This could potentially add a considerable number of clients to the Hamilton County behavioral health system at a time when funding from Ohio Mental Health and Addiction Services continues to be unstable and a larger portion of the total revenues budgeted by the HCMHR SB are derived from local tax levies. For calendar year 2017, 64.7% of MHR SB revenue will be generated by three local levies.

Changes occurring in the behavioral health field are triggering shifts in HCMHR SB service patterns requiring careful prioritization of allocations. Among the most significant of these challenges is the rapid increase in opioid (Heroin) addiction. Treatment for opioid addiction increased 360% between 2010 and 2015. This is of critical concern as opioid addiction significantly contributes to community and family problems such as crime, disease, and children's services issues.

Additionally, the behavioral health field is experiencing a shortage of qualified workers. The shortage of workers is severe and is exacerbated by insufficient reimbursement rates and increasing numbers of individuals and families requiring mental health or addiction services. Finally, as in other healthcare fields, information technology drives efficient operations and effective decision-making. Therefore, investment in information technology must be included when prioritizing and allocating resources.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, consumers, and creditors with a general overview of the HCMHR SB's finances and to show the HCMHR SB's accountability for the money it receives. If you have questions about this report or need additional financial information about the HCMHR SB, please contact Patrick Tribbe, President/CEO at 2350 Auburn Avenue, Cincinnati, Ohio 45219.

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HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS:

Equity in pooled cash and investments with County Treasurer	\$ 34,411,532
Property taxes receivable	35,889,442
Due from other governments, net	1,784,127
Prepaid contract services	1,189,389
Long-term receivable from contract agencies	663,714
Nondepreciable capital assets	1,771,972
Depreciable capital assets, net	7,411,102
Total assets	83,121,278

DEFERRED OUTFLOWS OF RESOURCES:

Pension	1,013,138
Total deferred outflows of resources	1,013,138

LIABILITIES:

Contracts payable	6,579,582
Accrued other	255,546
Long-term liabilities:	
Due within one year	478,961
Due in more than one year	
Net Pension Liability	2,638,069
Other Amounts	4,009,741
Total liabilities	13,961,899

DEFERRED INFLOWS OF RESOURCES:

Levy Revenue	33,685,794
Pension	225,044
Total deferred inflows of resources	33,910,838

NET POSITION:

Net investment in capital assets	9,183,074
Unrestricted	27,078,605
Total net position	\$ 36,261,679

The accompanying notes to the financial statements are an integral part of the financial statements.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Program expenses:	
Mental Health and Recovery Services:	
Salaries, benefits and taxes	\$ 2,741,711
Operating expenses	604,567
Building management - SAMAD	910,417
County auditor and treasurer fees	468,429
Council of governments/SHARES	551,177
State direct payments	239,662
Agency provider contracts	52,487,092
Depreciation	442,638
Total program expenses	<u>58,445,693</u>
Program revenues:	
Operating grants and contributions restricted to specific programs:	
Health and hospital indigent care	2,715,889
Family services and treatment	1,340,279
State and federal grants	6,532,376
Inter-County	4,348,384
State direct payments	239,662
Total program revenues	<u>15,176,590</u>
Program expenses in excess of revenues	<u>43,269,103</u>
General revenues:	
Property taxes levied for mental health	34,209,081
Grants and contributions not restricted to specific programs	6,884,967
Capital and rental income	1,053,270
Miscellaneous	1,184,536
Total general revenues	<u>43,331,854</u>
Increase in net position	62,751
Net position, beginning of year	<u>36,198,928</u>
Net position, end of year	<u><u>\$ 36,261,679</u></u>

The accompanying notes to the financial statements are an integral part of the financial statements.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
BALANCE SHEET - MENTAL HEALTH AND RECOVERY SERVICES FUND
DECEMBER 31, 2016**

ASSETS:

Equity in pooled cash and investments with County Treasurer	\$ 34,411,532
Property taxes receivable	35,889,442
Due from other governments, net	1,784,127
Prepaid contract services	1,189,389
Long-term receivable from contract agencies	663,714
Total assets	73,938,204

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:

Liabilities:

Contracts payable	6,579,582
Accrued other	255,546
Total liabilities	6,835,128

Deferred Inflows of Resources:

Property taxes	33,685,794
Grants and other revenue	3,074,064
Total deferred inflows of resources	36,759,858

Fund balances:

Non-spendable	1,853,103
Committed	2,701,205
Assigned	17,471,393
Unassigned	8,317,517
Total fund balances	30,343,218

Amounts reported for governmental activities in the statement of net position are different because:

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,074,064
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,183,074
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.

Deferred Outflows - Pension	1,013,138
Deferred Inflows - Pension	(225,044)
Net Pension Liability	(2,638,069)
Total	(1,849,975)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Mortgages payable	(3,780,868)
Compensated absences	(707,834)
Net position of governmental activities	\$ 36,261,679

The accompanying notes to the financial statements are an integral part of the financial statements.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - MENTAL HEALTH AND RECOVERY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Revenues:	
Taxes	\$ 34,534,821
Intergovernmental:	
State general revenue funds - mental health	3,108,221
State general revenue funds - alcohol and drug addiction	1,242,443
State block grant funds - mental health	2,062,504
State block grant funds - alcohol and drug addiction	5,809,725
Federal grants	1,288,152
Inter-county revenues - mental health	2,154,270
Inter-county revenues - alcohol and drug addiction	2,322,527
Family services and treatment	1,866,252
Health and hospital indigent care	3,173,194
Other revenues:	
Capital and rental income	1,053,270
Miscellaneous	643,122
State direct payments	239,662
Total revenues	<u>59,498,163</u>
 Expenditures:	
Agency provider contracts	52,487,092
Building management - SAMAD	910,417
State direct payments	239,662
Salaries, benefits and taxes	2,632,804
Operating expenses	604,567
Capital Outlay	6,154
County auditor and treasurer fees	468,429
Council of governments/SHARES	551,177
Debt service:	
Principal retirement	243,496
Forgiveness by OhioMHAS	(243,496)
Total expenditures	<u>57,900,302</u>
 Net change in fund balance	 1,597,861
 Fund balance, beginning of year	 <u>28,745,357</u>
Fund balance, end of year	<u><u>\$ 30,343,218</u></u>

The accompanying notes to the financial statements are an integral part of the financial statements.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance	\$	1,597,861
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,233,215)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital asset additions		6,154
Depreciation expense		(442,638)
Retirement of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		243,496
Contractually required contributions are reported as expenditures in governmental funds, however, the Statement of Net Position reports these amounts as deferred outflows.		237,711
Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the Statement of Activities		(293,220)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(53,398)</u>
Change in net position of governmental activities	<u>\$</u>	<u>62,751</u>

The accompanying notes to the financial statements are an integral part of the financial statements.

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**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The HCMHRSB operates as an administrative arm of the County of Hamilton, Ohio (the "County") government, but has its own policy making Board of Trustees. The HCMHRSB acts as an umbrella agency that has responsibility for a community-wide mental health, alcohol and drug addiction services system that is accessible to those in need of or desiring such services and who do not have the financial means to purchase this care from the private health care market. The HCMHRSB plans, funds, coordinates, monitors, and evaluates a network of services, which are provided through contract agencies to Hamilton County residents, both children and adults, who need and seek care for mental or emotional illness or alcohol and drug addiction.

B. Basis of Presentation

These financial statements present only the activities of the HCMHRSB and do not present the financial position of the County.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the HCMHRSB as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the HCMHRSB that are governmental and those that are considered business-type activities. The HCMHRSB has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the HCMHRSB's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the HCMHRSB, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the HCMHRSB.

Fund Financial Statements - Fund financial statements report detailed information about the HCMHRSB. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present sources and uses of current financial resources.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

The HCMHR SB uses a single fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The one fund of the HCMHR SB is a governmental fund.

Governmental funds focus on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the HCMHR SB's major governmental fund:

Mental Health and Recovery Services Fund - This fund is used to account for all financial resources relating to the operations of the community-wide mental health and alcohol and drug addiction systems.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the available period. The available period for the HCMHR SB is sixty days after fiscal year end.

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the HCMHR SB receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the HCMHR SB must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the HCMHR SB on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the HCMHRSB, deferred outflows of resources include pension reported in the government-wide Statement of Net Position. The deferred outflows of resources related to pension are explained in Note 5.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the HCMHRSB, deferred inflows of resources include property taxes, pension and receivables that will not be collected within the available period. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These property taxes have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. The deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. The deferred inflows related to receivables that will not be collected within the available period are reported on the governmental fund financial statements.

F. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value

G. Equity in Pooled Cash and Investments with County Treasurer

The Hamilton County Treasurer acts as custodian of funds for the HCMHRSB. Cash of the HCMHRSB is shown on the balance sheet as equity in pooled investments with the County Treasurer and includes cash, demand deposits, and short-term investments with original maturities of three months or less, stated at cost. State statute authorizes the County Treasurer to invest in obligations of the U.S. Treasury, certificates of deposits and repurchase agreements.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The HCMHR SB defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The HCMHR SB does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 years
Furniture and fixtures	3 years

I. Compensated Absences

The HCMHR SB accounts for compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the HCMHR SB has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year-end taking into consideration any limits specified in the HCMHR SB's policy. The HCMHR SB records a liability for all accumulated unused vacation time when earned for all employees. The HCMHR SB records a liability for accumulated unused sick leave for all employees after ten years of accumulated service.

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the succeeding year.

The entire compensated absence liability is reported on the government-wide statement of net position.

J. Contracts Payable

Contracts payable consists of amounts owed to:

- Contract agencies and service providers for services rendered prior to December 31, 2016.
- Contract agencies based on the criteria of the Outcomes Performance Incentive Plan (OPIP) as outlined by contract.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Reserves

In accordance with Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting*, the HCMHRSB classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Non-spendable – resources that are not in the spendable form or have legal or contractual requirements (prepaid contracts and long-term receivables) to maintain the balance intact.

Committed – resources that are constrained for specific purposes (capital) that are internally imposed by the government at its highest level of decision making authority, the Board of Trustees.

Assigned – resources that are intended to be used for specific purposes as approved through the HCMHRSB's formal purchasing procedure (encumbrances and budgetary resources).

Unassigned – residual fund balance that is not restricted, committed, or assigned.

The HCMHRSB considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the fund balance classifications could be used.

L. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the HCMHRSB or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The HCMHRSB applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Subsequent Events

The HCMHRSB has evaluated subsequent events for potential recognition and disclosure through January 3, 2018, the date the financial statements were available to be issued.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. POOLING OF CASH AND INVESTMENTS

Statutes require the classification of monies held by the County into two categories:

- 1.) Active monies are those monies which are required to be kept in a "cash or near cash" status for immediate use by the County. Such monies must be maintained either as cash in the County treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.
- 2.) Monies held by the County that are not considered active are classified as inactive.

The County's Statement of Investment Policy, approved by the County's Investment Advisory Committee, authorizes investments permitted under Ohio law, which states that inactive moneys are to be deposited or invested in the following:

- 1.) U.S. Treasury notes, bills, bonds or other obligations or securities issued by the U. S. 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 directly by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4.) Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- 5.) Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- 6.) No-load money market mutual funds consisting exclusively of obligations described in item 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7.) The State Treasurer's investment pool (STAR Ohio);
- 8.) Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in item 1 or 2 above or cash or both securities and cash, equal value for equal value;
- 9.) High-grade commercial paper for a period not to exceed 270 days in an amount not to exceed (a) 10% of the aggregate value of the issuing corporation's outstanding commercial paper or (b) 25% of the County's total average portfolio; or
- 10.) Bankers' acceptances for a period not to exceed 180 days and in an amount not to exceed 25% of the County's total average portfolio.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. POOLING OF CASH AND INVESTMENTS (Continued)

Public depositories must give collateral for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities the face value of which is at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be collateralized by the specific government securities upon which repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require that collateral for public deposits and investments be maintained in the name of the County.

The County monitors its compliance with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits are made as well as collateral requirements. The County will continue to monitor compliance with applicable statutes in the future pertaining to public deposits and investments.

3. PROPERTY TAXES

Property taxes include amounts levied against real and public utility property. The assessed values upon which the 2016 tax collection was based is as follows:

Real Property:	<u>CY 2016</u>
Residential/Agricultural	\$12,830,163,620
Commercial/Industrial/Other	4,590,946,110
Public Utilities	<u>927,265,920</u>
Total Valuation	<u>\$18,348,375,650</u>

Real Property taxes are levied each December on the assessed values of the preceding January 1st, the lien date. Assessed values are established the preceding year by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was a full physical revaluation effective for the tax year 2011, for taxes collected in 2012. The most recent statistical update was performed effective for the tax year 2014, for taxes collected in 2015. Public Utility property taxes are assessed on tangible personal property, as well as land improvements at true value, which is, in general, net book value. The tangible personal property tax was eliminated in 2011 and thus, any payments received by the HCMHRSB from the County Auditor for tangible person property tax are from the collection of delinquent taxes.

The final settlements of real and public utility property taxes are made in April and August for the first and second halves of the year, respectively. Collections of the taxes and remittance of them to the taxing districts are accounted for in agency funds of the County. The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the HCMHRSB. The County Auditor periodically remits to the HCMHRSB its portion of the taxes collected.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,771,972	\$ -	\$ -	\$ 1,771,972
Capital assets being depreciated:				
Building and building improvements	\$ 13,855,365		-	\$13,855,365
Furniture and fixtures	<u>227,537</u>	<u>6,154</u>	<u>-</u>	<u>233,691</u>
	<u>14,082,902</u>	<u>6,154</u>	<u>-</u>	<u>14,089,056</u>
Less accumulated depreciation:				
Building and building improvements	6,033,371	433,873	-	6,467,244
Furniture and fixtures	<u>201,945</u>	<u>8,765</u>	<u>-</u>	<u>210,710</u>
	<u>6,235,316</u>	<u>442,638</u>	<u>-</u>	<u>6,677,954</u>
Capital assets being depreciated, net	<u>7,847,586</u>	<u>(436,484)</u>	<u>-</u>	<u>7,411,102</u>
Capital assets, net	<u>\$9,619,558</u>	<u>\$(436,484)</u>	<u>\$ -</u>	<u>\$9,183,074</u>

5. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the HCMHRSB's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the HCMHRSB's obligation for this liability to annually required payments. The HCMHRSB cannot control benefit terms or the manner in which pensions are financed; however, the HCMHRSB does receive the benefit of employees' services in exchange for compensation including pension.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

All employees of the HCMHR SB 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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., HCMHR SB employees) may elect the member-directed plan and the combined plan, substantially all employee members are in the OPERS traditional plan; therefore, the following disclosure focuses on the traditional 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):

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

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 and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit	Age 60 with 60 months of service credit	Age 57 with 25 months of service credit
or Age 55 with 25 years of service credit	or Age 55 with 25 years of service credit	or Age 62 with 5 years of service credit
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of	2.2% of FAS multiplied by years of	2.2% of FAS multiplied by years of
service for the first 30 years and 2.5%	service for the first 30 years and 2.5%	service for the first 35 years and 2.5%
for service years in excess of 30	for service years in excess of 30	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 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	<u>10.0%</u>

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

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

The HCMHR SB's required contributions to OPERS for the year ended December 31, 2016 were \$237,711. Of this amount, \$10,976 is reported as an Accrued Other.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The HCMHR SB's proportion of the net pension liability was based on the HCMHR SB's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$2,638,069
Proportion of the Net Pension Liability	0.01523023%
Pension Expense	\$293,220

At December 31, 2016, the HCMHR SB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$775,427
HCMHR SB contributions subsequent to the measurement date	<u>\$237,711</u>
Total Deferred Outflows of Resources	<u>\$1,013,138</u>

Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 50,972
Change in proportion and differences between HCMHR SB contributions and Proportionate share of contributions	<u>174,072</u>
Total Deferred Inflows of Resources	<u>\$225,044</u>

\$237,711 reported as deferred outflows of resources related to pension resulting from HCMHR SB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

Year Ending December 31:	<u>OPERS</u>
2017	\$ 89,277
2018	101,676
2019	183,951
2020	<u>175,479</u>
Total	<u>\$550,383</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent through 2018, then 2.8 percent
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the OPERS Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the HCMHRSB's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the HCMHRSB's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the HCMHRSB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% increase (9.00%)
HCMHRSB's proportionate share of the net pension liability	\$4,203,087	\$2,638,069	\$1,318,024

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. POST EMPLOYMENT BENEFITS

OPERS has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the HCMHRSB in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

A. Plan Description

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, 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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses for their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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 OPERS Board of Trustees in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

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% of earnable salary. This is the maximum employer contribution rate for state and local employers permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. POST EMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 will decrease to 1.0% for both plans. 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 2016 was 4.0%.

C. HCMHR SB Contributions

The HCMHR SB's actual contributions that were used to fund post-employment benefits were approximately \$39,619 for the year ended December 31, 2016, \$38,532 for the year ended December 31, 2015, and \$49,544 for the 18 month period ending December 31, 2014.

7. LONG-TERM LIABILITIES

Changes in the HCMHR SB's long-term liabilities as of December 31, 2016, are as follows:

	<u>Principal Outstanding</u>	<u>Additions</u>	<u>Disposals</u>	<u>Principal Outstanding</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities</u>					
Mortgage payable-Mental Health	\$ 3,164,560	\$ -	\$ 175,616	\$ 2,988,944	175,136
Mortgage payable-Alcohol & Drug	859,804	-	67,880	791,924	67,880
Compensated absences	654,436	271,543	218,145	707,834	235,945
Net Pension Liability (Note 5)	<u>2,100,768</u>	<u>537,301</u>	<u>-</u>	<u>2,638,069</u>	<u>-</u>
Total long-term liabilities	<u>\$ 6,779,568</u>	<u>\$ 808,844</u>	<u>\$ 461,641</u>	<u>\$ 7,126,771</u>	<u>\$ 478,961</u>

The HCMHR SB has a mortgage payable that consists of loan contracts made with the Ohio Department of Mental Health and Addiction Services OhioMHAS (formerly the Ohio Departments of Mental Health and Alcohol and Drug Addiction Services) for the purchase of and improvement to various properties in the County for use in providing mental health services. The loan contracts between the HCMHR SB and OhioMHAS provide that the property must be used to provide mental health services for a specified period of time. The terms of the contract are essentially equivalent to a mortgage on the property, with the HCMHR SB being obligated to provide mental health services for a period of 40 years from the inception of the contract. Should the HCMHR SB discontinue mental health services at a particular facility, the balance of the contract would immediately become due. The balance due is reduced on a month-by-month basis over the term of the contract as a forgiveness of debt, as long as the facility is used for mental health services.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

The HCMHR SB has a mortgage payable that consists of a loan contract made with OhioMHAS, for the improvements to a facility. The loan contract between the HCMHR SB and OhioMHAS provides that the property must be used to provide alcohol and other drug services for a specified period of time. The terms of the contract are essentially equivalent to a mortgage on the property, with the HCMHR SB being obligated to provide alcohol and other drug services for a period of 25 years from the inception of the contract. Should the HCMHR SB discontinue alcohol and other drug services at this particular facility, the balance of the contract would immediately become due. The balance due is reduced on a month-by-month basis over the term of the contract as a forgiveness of debt as long as the facility is used for alcohol and other drug services.

No interest is charged on these obligations.

Annual commitments under these mortgage payables, assuming no forgiveness by OhioMHAS, as of December 31, 2016 are as follows:

Period Ending December 31st	Mental Health Principal	Alcohol & Drug Principal	Total
2017	\$ 175,136	67,880	243,016
2018	175,136	67,880	243,016
2019	175,136	67,880	243,016
2020	175,616	67,880	243,496
2021	175,136	67,880	243,016
2022 – 2026	876,160	339,400	1,215,560
2027 – 2031	820,017	113,124	933,141
2032 – 2036	327,002	-	327,002
2037 – 2041	69,168	-	69,168
2041 – 2046	<u>20,437</u>	<u>-</u>	<u>20,437</u>
Total	<u>\$ 2,988,944</u>	<u>\$ 791,924</u>	<u>\$ 3,780,868</u>

8. FUND BALANCES

Fund balance is classified as nonspendable, committed, assigned and/or unassigned based primarily on the extent to which the HCMHR SB is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on governmental fund balance are presented below.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. FUND BALANCES (Continued)

Fund Balance	Mental Health and Recovery Services Fund
Nonspendable on:	
Prepaid contract services	\$ 1,189,389
Long-term receivables	<u>663,714</u>
Total nonspendable	1,853,103
Committed to capital	2,701,205
Assigned for:	
Encumbrances	10,289,165
Budgetary resource	<u>7,182,228</u>
Total assigned	17,471,393
Unassigned	<u>\$8,317,517</u>
Total Fund Balance	<u>\$30,343,218</u>

9. RISK MANAGEMENT

The HCMHR SB carries commercial insurance policies for various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; umbrella coverage; employee dishonesty; injuries to employees; employee health claims; and environmental damage. There has been no reduction in insurance coverage from the prior year nor have there been any insurance settlements for claims resulting from the risks covered by the HCMHR SB's commercial insurance policies.

The County accounts for and finances its risk of loss due to workers' compensation claims through an internal service fund entitled "Workers' Compensation Reserve". The County reimburses the Bureau of Ohio Workers' Compensation for injured workers' claims. All departments of the County, including the HCMHR SB, participate in the program and make payments to the internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a long-term liability for future claims.

On January 1, 2010, the County, including the HCMHR SB, adopted a self-insurance policy for medical benefits, which includes vision, but not dental insurance. The County accounts for and finances its risk of loss through an internal service fund. All departments of the County, including the HCMHR SB, participate in the program and make payments to the internal service fund based on estimates of the amounts needed to pay prior and current year claims and to establish a long-term liability for future claims.

Any self-insurance liability recorded related to the HCMHR SB is based on requirements of GASB Statements No. 10 and 30. These statements require a liability for claims to be reported if information prior to issuance of the financial statements indicates that is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The actuarially determined liability includes allocated expenses and a provision for incurred but not reported claims. The accrued liability for self-insurance medical claims at December 31, 2016 was \$0.

Changes in the balances of claims and liabilities for the years ended December 31, 2016 and December 31, 2015 are as follows:

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. RISK MANAGEMENT (Continued)

Self-insurance medical	2015	2016
Claims Liability, Beginning of Year	\$ -	\$ -
Incurred Claims and Changes in Estimates	0 214,986	214,986
Payments Made to County Internal Service Fund	0 (202,032)	0 0
Claims Liability, End of Year	<u>\$ -</u>	<u>\$ -</u>

10. LEASES WITH CONTRACTUAL AGENCIES

As of December 31, 2016, the HCMHR SB leases 58 scattered-site housing facilities to Excel Development Company, a non-profit organization responsible for renting the units to the mentally disabled of the County. These leases contain terms of 20 years contingent upon Excel fulfilling the agreed upon programmatic and reporting responsibilities as required by the HCMHR SB. Annual collections are at the rate of \$1 per year, per unit. The cost of these leased housing facilities at December 31, 2016 is approximately \$6,132,000, and accumulated depreciation on these assets is approximately \$2,683,000.

11. CONTINGENCIES

Grants - The HCMHR SB has received federal and state grants for specific purposes that are subject to review and audit by the respective grantor agencies. These audits could result in a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the HCMHR SB believes these disallowances, if any, will be immaterial.

As part of the financial reporting entity of the County of Hamilton, Ohio, the HCMHR SB is included in the financial statements of the County. The annual audit of the County is performed in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Thus, since the HCMHR SB is included in the scope of the County audit, the HCMHR SB has elected to not have its separate audit performed in accordance with the audit requirement noted above.

12. STATE DIRECT PAYMENTS

During the year ended December 31, 2016, the Ohio Department of Mental Health and Addiction Services made direct payments to providers totaling \$239,662 for contracts entered into by the HCMHR SB. These payments have been recorded as revenue with a corresponding contract expense.

THE HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE
 MENTAL HEALTH AND RECOVERY SERVICES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

ACCOUNT	BUDGET	ACTUAL	VARIANCE WITH BUDGET
REVENUES			
Levies	\$ 37,751,630	\$ 39,574,267	\$ 1,822,637
State General Revenue Funds	3,708,887	4,350,664	\$ 641,777
Block Grant Funds	6,689,417	7,872,229	\$ 1,182,812
Federal Grants	1,340,949	1,288,152	\$ (52,797)
Capital and Rental Income	1,050,894	1,053,270	\$ 2,376
Inter-County Revenue	5,014,270	4,476,797	\$ (537,473)
Miscellaneous	834,721	643,122	\$ (191,599)
State Direct Payments	449,934	239,662	\$ (210,272)
TOTAL REVENUE	\$ 56,840,702	\$ 59,498,163	\$ 2,657,461
EXPENDITURES			
Salaries, Benefits & Taxes	\$ 2,718,867	\$ 2,632,804	\$ 86,063
Operating Expenses	605,000	604,567	\$ 433
Council of Governments/SHARES	551,478	551,177	\$ 301
Building Management - SAMAD	967,207	910,417	\$ 56,790
Capital Expenditures	106,000	6,154	\$ 99,846
Auditor & Treasurer Fees	525,000	468,429	\$ 56,571
Agency Provider Contracts	55,845,111	52,487,092	\$ 3,358,019
State Direct Payments	449,934	239,662	\$ 210,272
TOTAL EXPENDITURES	\$ 61,768,597	\$ 57,900,302	\$ 3,868,295
REVENUE-EXPENDITURES (NET)	\$ (4,927,895)	\$ 1,597,861	\$ 6,525,756
Beginning Fund Balance	\$ 30,474,894	\$ 28,745,357	\$ (1,729,537)
Plus Total Revenue	56,840,702	59,498,163	2,657,461
Minus Total Expense	61,768,597	57,900,302	(3,868,295)
Ending Fund Balance	\$ 25,546,999	\$ 30,343,218	\$ 4,796,219

See accompanying notes to the required supplementary information.

**THE HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM—TRADITIONAL PLAN
LAST THREE YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's Proportion of the Net Pension Liability	0.01523023%	0.01741768%	0.01741768%
Board's Proportionate Share of the Net Pension Liability	\$2,638,069	\$2,100,768	\$2,100,768
Board's Covered-Employee Payroll	\$1,980,925	\$1,925,975	\$2,303,558
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	133.17%	109.08%	91.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

Amounts presented as of the Board's measurement date which is prior to year end.

**THE HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM—TRADITIONAL PLAN
LAST FOUR YEARS (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 237,711	\$ 231,117	\$ 276,427	\$ 268,574
Contributions in Relation to the Contractually Required Contribution	<u>(237,711)</u>	<u>(231,117)</u>	<u>(276,427)</u>	<u>(268,574)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board Covered-Employee Payroll	\$1,980,925	\$ 1,925,975	\$ 2,303,558	\$ 2,065,954
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
HAMILTON COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

As required by law, all HCMHRSB appropriations and estimated revenues are approved by the Hamilton County Commissioners. The Commissioners certify the proposed budget to the County Auditor by July 20. By January 1, the County Commissioners may adopt annual or temporary measures using, in part, the official certificate of estimated resources approved by the County Budget Commission and the tax rates certified by the County Auditor. Appropriations cannot exceed estimated resources. By April 1, the County Commissioners must adopt an annual appropriation resolution. The certificate of estimated resources may be amended during the year for projected increases or decreases in revenue. 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. Modifications to the original budget are approved by the Board of County Commissioners throughout the year as allowed by State statute. All budgetary amendments and supplemental appropriations are included in the budget amounts presented in the budget to-actual comparisons. Budgetary control is maintained by not permitting expenditures to exceed appropriations within three major categories—Personnel Services, Other Expenditures and Capital Outlay. HCMHRSB prepares and presents the budget on a GAAP basis.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balance for subsequent year expenditures.



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

Hamilton County Mental Health and Recovery Services Board
Hamilton County
2350 Auburn Avenue
Cincinnati, Ohio 45219

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 financial statements of the governmental activities and the major fund of the Hamilton County Mental Health and Recovery Services Board, Hamilton 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 January 3, 2018.

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*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus

January 3, 2018



Dave Yost • Auditor of State

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD

HAMILTON 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
JANUARY 16, 2018**