



Dave Yost • Auditor of State



**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio (the Board), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the budgetary comparison for the Mental Health and Recovery Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2016, 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

August 15, 2016

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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The discussion and analysis of the Mental Health and Recovery Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2015, within the limitations of the Board's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$17,739 or .66 percent.
- The Board's general receipts accounted for \$2,954,598 in receipts or 83.2 percent of all receipts, and are primarily property taxes and unrestricted grants and entitlements. Program specific receipts in the form of operating grants and contributions accounted for \$597,136 or 16.8 percent of total receipts of \$3,551,734.
- The Board had \$3,533,995 in disbursements related to governmental activities; only \$597,136 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$2,954,598 were adequate to provide for these programs.
- The Board's major fund had \$3,551,734 in receipts and \$3,533,995 in disbursements. The cash fund balance increased \$17,739.

**Using the Basic Financial Statement**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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

**Reporting the Board as a Whole**

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis reflect how the Board did financially during 2015, within the limitations of the cash basis of accounting. The Statement of Net Position – Cash Basis presents the cash balance of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for the governmental program. Program receipts include operating grants and contributions restricted to meeting the operational requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

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

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

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

**Reporting the Board's Fund**

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

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

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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**The Board as a Whole**

Table 1 provides a summary of the Board's net position for 2015 compared to 2014 on a cash basis:

**Table 1**  
**Net Position – Cash Basis**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<b>Cash Basis Assets</b>		
Cash and Cash Equivalents	<u>\$2,691,385</u>	<u>\$2,673,646</u>
Total Assets	<u>\$2,691,385</u>	<u>\$2,673,646</u>
<b>Net Position</b>		
Unrestricted	<u>2,691,385</u>	<u>2,673,646</u>
<b>Total Net Position</b>	<u>\$2,691,385</u>	<u>\$2,673,646</u>

As mentioned previously, net position of governmental activities increased \$17,739 or .66 percent during 2015. The Board's revenue came primarily from the Ohio Department of Mental Health and Addiction Services. During the audit period, January 1, to December 31, 2015, the Board's receipts were slightly more than expenditures. The limitations of the cash basis of accounting must be considered when analyzing this information. If accounts receivable and accounts payable had been considered at year end, the increase would have been somewhat lower.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

Table 2 reflects the changes in net position on a cash basis in 2015 and 2014 for governmental activities:

**Table 2**  
**Changes in Net Position**

	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2014</b>
<b>Receipts:</b>		
Program Cash Receipts		
Operating Grants and Contributions	\$597,136	\$569,676
<b>Total Program Cash Receipts</b>	<b>597,136</b>	<b>569,676</b>
General Receipts		
Property Taxes Levied for General Purposes	833,179	810,649
Revenue in Lieu of Taxes	12,315	17,961
Entitlements – Unrestricted	2,094,458	2,080,969
Other Receipts	14,646	11,999
<b>Total General Receipts</b>	<b>2,954,598</b>	<b>2,921,578</b>
<b>Total Receipts</b>	<b>3,551,734</b>	<b>3,491,254</b>
<b>Disbursements:</b>		
Mental Health and Dependency Rehabilitation:		
Salaries	294,840	286,062
Supplies	5,461	6,221
Equipment	3,691	4,465
Contracts – Repairs	16,121	19,579
Contracts – Services	3,018,306	3,017,150
Advertising and Printing	1,124	431
Travel and Expenses	10,751	13,543
Public Employees' Retirement	37,377	39,458
Worker's Compensation	4,559	3,029
Medicare	3,615	3,084
Other Expenses	138,150	98,878
<b>Total Disbursements</b>	<b>3,533,995</b>	<b>3,491,900</b>
<b>Change in Net Assets</b>	<b>\$17,739</b>	<b>\$(646)</b>

Program receipts represent 16.8 percent of total receipts and are primarily comprised of restricted operating grants and contributions.

General receipts represent 83.2 percent of the Board's total receipts, and of this amount, 28.2 percent are local taxes. State subsidies and entitlements make up the majority of the Board's general receipts, 70.9 percent. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

Disbursements for the Mental Health and Dependency Rehabilitation program represent the overhead costs of running the Board and the contract services provided for the Board activities by not-for-profit agencies. The majority of cash disbursements were for contract services accounting for \$3,018,306, or approximately 85.4 percent of total cash disbursements.

**Governmental Activities**

If you look at the Statement of Activities – Cash Basis, you will see that the first column details the mental health and dependency program services provided by the Board. The major program disbursements for governmental activities were for contract services, which accounted for 85.4 percent of all cash disbursements. The next column on the Statement entitled Program Cash Receipts identifies operating grants and contributions received by the Board that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program cash receipts to the cost of the service. This “net cost” amount represents the cost of the program service which must be paid from the general receipts, which consists of property taxes, unrestricted grants and state entitlements, and other receipts. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
**Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Mental Health and Dependency Rehabilitation:				
Salaries	\$294,840	\$286,062	\$294,840	\$286,062
Supplies	5,461	6,221	5,461	6,221
Equipment	3,691	4,465	3,691	4,465
Contracts – Repairs	16,121	19,579	16,121	19,579
Contracts – Services	3,018,306	3,017,150	2,423,170	2,449,434
Advertising and Printing	1,124	431	1,124	431
Travel and Expenses	10,751	13,543	10,751	13,543
Public Employee's Retirement	37,377	39,458	37,377	39,458
Worker's Compensation	4,559	3,029	4,559	3,029
Medicare	3,615	3,084	3,615	3,084
Other Expenses	138,150	98,878	136,150	96,918
<b>Total Disbursements</b>	<b>\$3,533,995</b>	<b>\$3,491,000</b>	<b>\$2,936,859</b>	<b>\$2,922,224</b>

In 2015, the Mental Health and Recovery Board depended upon property taxes and unrestricted grants to support 83.6 percent of its governmental activities.

**The Board's Fund**

The Board's only governmental fund had total receipts of \$3,551,734 and disbursements of \$3,533,995. The fund balance slightly increased \$17,739. Since 2009, the Board has experienced repeated funding reductions and in 2015, the Board received level funding. While receipts in 2015 were slightly more than expenditures, the Board continues to plan for decreased or level funding from the Ohio Department of Mental Health and Addiction Services in using the Board funding in order to continue providing consumer services without impacting service delivery.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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**Budgeting Highlights**

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

During 2015, the revenue and disbursement budgets were not amended. The Board transferred funds between categories in order to meet its obligations in those line items.

**Current Issues**

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

The challenge to maintain adequate services to Non-Medicaid consumers in the Board's catchment area, in spite of reduced or some level funded specific allocations, for state and federal funds, will remain an issue in 2016. The Board continues to work with its contract agencies to deliver appropriate and cost effective services to consumers with an increase in mental health and addiction issues. With awareness that level or future reduced funding cannot continue indefinitely, the Board and its administration will maintain careful financial planning and prudent fiscal management to maximize these services to the community.

**Contacting the Board's Financial Management**

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

**Mental Health and Recovery Board**  
*Statement of Net Position - Cash Basis*  
*December 31, 2015*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$2,691,385</u>
<i>Total Assets</i>	<u>2,691,385</u>
<b>Net Position</b>	
Unrestricted	<u>2,691,385</u>
<i>Total Net Position</i>	<u><u>\$2,691,385</u></u>

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2015

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
<b>Governmental Activities</b>			
Mental Health and Dependency Rehabilitation:			
Salaries	\$294,840		(\$294,840)
Supplies	5,461		(5,461)
Equipment	3,691		(3,691)
Contracts - Repairs	16,121		(16,121)
Contracts - Services	3,018,306	\$595,136	(2,423,170)
Advertising and Printing	1,124		(1,124)
Travel and Expenses	10,751		(10,751)
Public Employee's Retirement	37,377		(37,377)
Worker's Compensation	4,559		(4,559)
Medicare	3,615		(3,615)
Other Expenses	138,150	2,000	(136,150)
<i>Total Governmental Activities</i>	<b>\$3,533,995</b>	<b>\$597,136</b>	<b>(\$2,936,859)</b>
 <b>General Receipts</b>			
Property Taxes Levied for General Purposes			833,179
Revenue In Lieu Of Taxes			12,315
Grants and Entitlements not Restricted to Specific Programs			2,094,458
Miscellaneous			14,646
<i>Total General Receipts</i>			<b>2,954,598</b>
Change in Net Position			17,739
<i>Net Position Beginning of Year</i>			<b>2,673,646</b>
<i>Net Position End of Year</i>			<b>\$2,691,385</b>

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Assets and Fund Balance - Cash Basis*  
*Governmental Fund*  
*December 31, 2015*

	<b>Mental Health and Recovery Fund</b>
<b>Cash Basis Assets</b>	
Cash and Cash Equivalents	\$2,691,385
<i>Total Cash Basis Assets</i>	2,691,385
 <b>Fund Balance</b>	
Assigned	113,850
Unassigned	2,577,535
<i>Total Cash Basis Fund Balance</i>	\$2,691,385

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**

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

*Governmental Fund*

*For the Year Ended December 31, 2015*

	<b>Mental Health and Recovery Fund</b>
<b>Receipts</b>	
Property Taxes	\$833,179
Revenue In Lieu Of Taxes	12,315
Intergovernmental Grants	2,691,594
Miscellaneous	14,646
	<hr/>
<i>Total Cash Receipts</i>	<i>3,551,734</i>
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<b>Disbursements</b>	
Current:	
Salaries	294,840
Supplies	5,461
Equipment	3,691
Contracts - Repairs	16,121
Contracts - Services	3,018,306
Advertising and Printing	1,124
Travel and Expenses	10,751
Public Employee's Retirement	37,377
Worker's Compensation	4,559
Medicare	3,615
Other Expenses	138,150
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<i>Total Cash Disbursements</i>	<i>3,533,995</i>
	<hr/>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<i>17,739</i>
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<i>Cash Basis Fund Balance Beginning of Year</i>	<i>2,673,646</i>
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<i>Cash Basis Fund Balance End of Year</i>	<i>\$2,691,385</i>
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See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Receipts, Disbursements, and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Mental Health and Recovery Fund*  
*For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$965,200	\$965,200	\$833,179	(\$132,021)
Revenue In Lieu Of Taxes	0	0	12,315	12,315
Intergovernmental Grants	2,593,002	2,593,002	2,691,594	98,592
Miscellaneous	15,000	15,000	14,646	(354)
<i>Total Cash Receipts</i>	<u>3,573,202</u>	<u>3,573,202</u>	<u>3,551,734</u>	<u>(21,468)</u>
<b>Disbursements</b>				
Current:				
Salaries	302,572	298,572	294,840	3,732
Supplies	7,700	7,700	5,911	1,789
Equipment	7,000	5,500	4,391	1,109
Contracts - Repairs	20,500	20,500	18,121	2,379
Contracts - Services	3,385,305	3,348,305	3,118,306	229,999
Advertising and Printing	2,000	2,000	1,124	876
Travel and Expenses	16,500	13,500	11,451	2,049
Public Employee's Retirement	39,280	39,280	37,377	1,903
Worker's Compensation	5,000	5,000	4,559	441
Unemployment Compensation	0	0	0	0
Medicare	3,845	3,845	3,615	230
Other Expenses	115,000	160,500	148,150	12,350
<i>Total Cash Disbursements</i>	<u>3,904,702</u>	<u>3,904,702</u>	<u>3,647,845</u>	<u>256,857</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(331,500)</u>	<u>(331,500)</u>	<u>(96,111)</u>	<u>235,389</u>
<i>Unencumbered Cash Basis Fund Balance Beginning of Year</i>	2,567,146	2,567,146	2,567,146	0
Prior Year Encumbrances Appropriated	<u>106,500</u>	<u>106,500</u>	<u>106,500</u>	<u>0</u>
<i>Unencumbered Cash Basis Fund Balance End of Year</i>	<u><u>\$2,342,146</u></u>	<u><u>\$2,342,146</u></u>	<u><u>\$2,577,535</u></u>	<u><u>\$235,389</u></u>

See accompanying notes to the basic financial statements

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## **Mental Health and Recovery Board**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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### **Note 1 - Reporting Entity**

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

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

#### ***Primary Government***

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

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

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

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

### **Note 2 - Summary of Significant Accounting Policies**

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

#### ***Basis of Presentation***

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

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

## **Mental Health and Recovery Board**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

The statement of net position presents the cash balance of the governmental activities of the Board at year end. The statement of activities compares disbursements and program receipts for each program or function of the Board's governmental activities and business-type activities.

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

#### ***Fund Accounting***

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

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

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

#### ***Basis of Accounting***

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

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

#### ***Budgetary Process***

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

ORC § 5705.28(C)(1) requires the Board to file an estimate of contemplated revenue and expenses with the municipalities and townships within the Board by about June 1 (forty-five days prior to July 15). The county auditor cannot allocate property taxes from the municipalities and townships within the district if the filing has not been made.

## **Mental Health and Recovery Board**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

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

#### ***Cash and Investments***

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

#### ***Capital Assets***

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

#### ***Accumulated Leave***

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

#### ***Employer Contributions to Cost-Sharing Pension Plans***

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

#### ***Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Board's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

## **Mental Health and Recovery Board**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***Fund Balance***

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

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

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

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

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

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### **Note 3 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the Mental Health and Recovery Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$113,850 for the Mental Health and Recovery Fund.

## Mental Health and Recovery Board

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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### Note 4 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Board. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2015, was \$15.55 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	\$1,285,269,990
Public Utility Personal Property	<u>136,163,060</u>
Total	<u>\$1,421,433,050</u>

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

### Note 5 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the Board contracted with two companies for various types of insurance as follows:

Type of Coverage	Coverage	Deductible
Scottsdale Insurance Company:		
Directors and Officers Liability	\$2,000,000	\$0
State Auto Insurance Company:		
Building	\$240,439	250
Business Personal Property	\$45,210	250

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

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

## **Mental Health and Recovery Board**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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### **Note 6 - Defined Benefit Pension Plans**

#### ***Ohio Public Employees Retirement System***

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local classifications. For the year ended December 31, 2015, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local classifications may participate in all three plans. For 2015, member and employer contribution rates were consistent across all three plans.

The Board's 2015 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2 percent for 2015. The portion of employer contributions allocated to health care for members in the Combined Plan was 2 percent for 2015. Employer contribution rates are actuarially determined.

The Board's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2015, 2014, and 2013 were \$35,893, \$39,804, and \$33,914, respectively; 93 percent has been contributed for 2015 and 100 percent for 2014 and 2013.

### **Note 7 - Postemployment Benefits**

#### ***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

## **Mental Health and Recovery Board**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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### **Note 7 - Postemployment Benefits (Continued)**

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opeers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The Board's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$5,128, \$11,373, and \$9,690, respectively; 93 percent has been contributed for 2015, and 100 percent for 2014 and 2013.

### **Note 8 – Contingent Liabilities**

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

## **Mental Health and Recovery Board**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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### **Note 9 - Jointly Governed Organizations**

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

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



# Dave Yost • Auditor of State

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

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio (the Board), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 15, 2016.

### ***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 communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 15, 2016



# Dave Yost • Auditor of State

**BELMONT COUNTY MENTAL HEALTH AND RECOVERY BOARD**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 30, 2016**