

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

LICKING COUNTY, OHIO

SINGLE AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of Mental Health and Recovery for Licking and Knox Counties, Licking County, prepared by Julian & Grube, Inc., for the audit period January 1, 2022 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Mental Health and Recovery for Licking and Knox Counties is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 01, 2023

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

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Independent Auditor's Report

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

To the Members of the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash-basis financial statements of the governmental activities and the major fund of the Mental Health and Recovery for Licking and Knox Counties, Licking County, Ohio, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Mental Health and Recovery for Licking and Knox Counties' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and the major fund of the Mental Health and Recovery for Licking and Knox Counties, as of December 31, 2022, and the respective changes in cash-basis financial position, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Mental Health and Recovery for Licking and Knox Counties and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mental Health and Recovery for Licking and Knox Counties' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mental Health and Recovery for Licking and Knox Counties' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mental Health and Recovery for Licking and Knox Counties' basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2023 on our consideration of the Mental Health and Recovery for Licking and Knox Counties' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mental Health and Recovery for Licking and Knox Counties' 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 Mental Health and Recovery for Licking and Knox Counties' internal control over financial reporting and compliance.



Julian & Grube, Inc.
July 27, 2023

MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF NET POSITION-CASH BASIS
DECEMBER 31, 2022**

	<u>Governmental Activities</u>
Assets	
Cash with Fiscal Agent	\$ 14,982,319
Total Assets	<u>\$ 14,982,319</u>
Net Position	
Restricted for Grant Programs	\$ 1,169,694
Unrestricted	13,812,625
Total Net Position	<u>\$ 14,982,319</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF ACTIVITIES-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Cash</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Cash</u>
Governmental Activities	<u>Disbursements</u>	<u>Services and</u>	<u>Grants and</u>	<u>Disbursements)</u>
		<u>Sales</u>	<u>Contributions</u>	<u>Cash Receipts and</u>
				<u>Changes in Net</u>
				<u>Assets</u>
Current:				
Health:				
Salaries	\$ 566,278	\$ 55,166	\$ -	\$ (511,112)
Public Employees Retirement	70,594	6,731	-	(63,863)
Hospitalization	81,578	-	-	(81,578)
Workers Compensation	4,733	1,000	-	(3,733)
Medicare	7,964	725	-	(7,239)
Travel and Board Expense	7,507	1,112	-	(6,395)
Supplies	5,341	1,382	-	(3,959)
Utilities/Phone	11,357	-	-	(11,357)
Rentals	52,483	-	-	(52,483)
Other Operational Expenses	201,725	21,000	-	(180,725)
Program & Contract Services	8,992,168	66,100	4,565,336	(4,360,732)
Levy Settlement Fees	56,796	-	-	(56,796)
Total Governmental Activities	\$ 10,058,524	\$ 153,216	\$ 4,565,336	\$ (5,339,972)
General Receipts:				
Property Taxes Levied for General Purposes				\$ 5,011,706
Unrestricted Grants for General Purposes				1,919,212
Donations				50
Reimbursements				187,788
Total General Receipts				\$ 7,118,756
Change in Net Position				\$ 1,778,784
Net Position at Beginning of Year				13,203,535
Net Position at End of Year				\$ 14,982,319

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUND
DECEMBER 31, 2022

	<u>General</u>
Assets:	
Cash with Fiscal Agent	\$ 14,982,319
Total Assets	\$ 14,982,319
Fund Balances	
Restricted for: Grant Programs	\$ 1,169,694
Assigned: Levy Reserve	171,928
Assigned: Salary Reserve	59,000
Assigned: OFLC Reserve	26,074
Assigned: Knox Levy Reserve	148,765
Assigned: Licking Levy Reserve	7,415,998
Assigned: Purchase Orders	913,698
Unassigned	5,077,162
Total Fund Balances	\$ 14,982,319

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES-GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General
Cash Receipts:	
Property & Other Local Taxes	\$ 5,011,706
Intergovernmental	6,484,548
Rental Receipts	21,000
Donations	50
Reimbursements	320,004
<i>Total Cash Receipts</i>	<i>\$ 11,837,308</i>
 Cash Disbursements:	
Current:	
Health:	
Salaries	\$ 566,278
Public Employees Retirement	70,594
Hospitalization	81,578
Workers Compensation	4,733
Medicare	7,964
Travel and Board Expense	7,507
Supplies	5,341
Utilities/Phone	11,357
Rentals	52,483
Other Operational Expenses	201,725
Program & Contract Services	8,992,168
Levy Settlement Fees	56,796
<i>Total Cash Disbursements</i>	<i>\$ 10,058,524</i>
Net Change in Fund Balance	\$ 1,778,784
Fund Balance Beginning of Year	13,203,535
<i>Fund Balance End of Year</i>	<i>\$ 14,982,319</i>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Cash Receipts:				
Property & Other Local Taxes	\$ 5,465,000	\$ 5,465,000	\$ 5,011,706	\$ (453,294)
Intergovernmental	5,624,642	5,624,642	6,484,548	859,906
Rental Receipts	24,000	24,000	21,000	(3,000)
Donations	-	-	50	50
Reimbursements	130,074	130,074	320,004	189,930
Total Cash Receipts	\$ 11,243,716	\$ 11,243,716	\$ 11,837,308	\$ 593,592
Cash Disbursements:				
Current:				
Health:				
Salaries	654,000	654,000	566,278	87,722
Public Employees Retirement	78,000	78,000	70,594	7,406
Hospitalization	99,000	99,000	81,578	17,422
Workers Compensation	16,000	16,000	4,733	11,267
Medicare	9,000	9,000	7,964	1,036
Travel and Board Expense	36,026	36,026	23,027	12,999
Supplies	14,994	14,994	8,404	6,590
Utilities/Phone	23,344	23,344	16,304	7,040
Rentals	60,000	60,000	52,483	7,517
Other Operational Expenses	429,155	369,155	231,364	137,791
Program & Contract Services	12,776,237	12,776,237	11,022,391	1,753,846
Levy Settlement Fees	-	60,000	56,796	3,204
Capital Outlays	500,000	500,000	-	500,000
Total Cash Disbursements	\$ 14,695,756	\$ 14,695,756	\$ 12,141,916	\$ 2,553,840
Net Changes in Fund Balance	\$ (3,452,040)	\$ (3,452,040)	\$ (304,608)	\$ 3,147,432
Fund Balance Beginning of Year	11,374,779	11,374,779	11,374,779	-
Prior Year Encumbrances Appropriated	1,828,756	1,828,756	1,828,756	-
Fund Balance End of Year	\$ 9,751,495	\$ 9,751,495	\$ 12,898,927	\$ 3,147,432

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 1 – Reporting Entity

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the MHR Board is financially accountable. The MHR Board is financially accountable for an organization if the MHR Board appoints a voting majority of the organization's governing board and (1) the MHR Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the MHR Board is legally entitled to or can otherwise access the organization's resources; or (3) the MHR Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, provide support to, the organization; or (4) the MHR Board is obligated for the debt of the organization. The MHR Board is also financially accountable for any organizations that are fiscally dependent on the MHR Board in that the MHR Board approves their budget, or the levying of their taxes. Component units also include legally separate, tax- exempt entities whose resources are for the direct benefit of the MHR Board, are accessible to the MHR Board and are significant in amount to the MHR Board. Based on the application of these criteria, the MHR Board does not have any component units.

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

Note 2 – Summary of Significant Accounting Policies

These financial statements are presented on the cash basis of accounting as prescribed and permitted by the Auditor of State of Ohio. The OCBOA Cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the MHR Board's accounting policies.

A. Basis of Accounting

The MHR Board's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the MHR Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the MHR Board are described in the appropriate section in this note.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The MHR Board did not present any nonmajor funds for the year ended 2022. The MHR Board had one major fund for the year ended 2022, which is described below.

C. Fund Accounting

The MHR Board uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The fund of the MHR Board is categorized as a governmental fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 2 – Summary of Significant Accounting Policies (Continued)

Governmental Funds

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

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

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the MHR Board may appropriate.

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the MHR Board.

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

E. Cash and Cash Equivalents

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

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

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The MHR Board did not report any restricted assets at December 31, 2022.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The MHR Board recognizes the cash disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 7 and 8, the employer contributions include portions for pension benefits and for postemployment health care benefits; these amounts are the required amounts and are not necessarily the amounts that are paid.

K. Long-Term Obligations

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

L. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The MHR Board did not have net position restricted by enabling legislation at December 31, 2022. The MHR Board first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance Reserves/Minimum Fund Balance

In 2011, the MHR Board adopted a policy that requires the MHR Board to maintain a minimum operating reserve. The MHR Board uses a formula to determine the appropriate reserve amount and at December 31, 2022, the amount determined for operating reserve by the MHR Board was \$2,972,000. Due to the nature of the policy, the operating reserve has been included in the unassigned fund balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Nonspendable - The MHR Board classifies assets as nonspendable when legally or contractually required to maintain the amounts intact, or includes amounts that cannot be spent because they are not in spendable form. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed - The MHR Board can commit amounts via formal action (resolution). The MHR Board must adhere to these commitments unless the MHR Board amends the resolution. Those committed amounts cannot be used for any other purpose unless the MHR 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 to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General fund, assigned amounts represent intended uses established by the MHR Board or a Board official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the General fund and includes amounts not included in the other classifications.

The MHR Board applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. At December 31, 2022, the MHR Board reported no nonspendable or committed fund balance.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. No such items occurred during 2022.

O. Leases

For 2022, GASB Statement No. 87, Leases was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The MHR Board is the lessor/lessee (as defined by GASB 87) in various leases related to buildings, vehicles and other equipment under noncancelable leases. Lease receivables/payables are not reflected under the MHR Board’s cash basis of accounting. Lease receipts/disbursements are recognized when they are received/paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Budget and Actual – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances). The encumbrances outstanding at year end (budgetary basis) amounted to \$2,083,392 for the General fund.

Note 4 – Deposits and Investments

As required by the Ohio Revised Code, the Licking County Treasurer serves as the custodian and fiscal agent for the MHR Board and is responsible for investing funds in active and inactive deposits.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the MHR Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Licking County Treasurer serves as the fiscal agent for the MHR Board and the investments of Licking County funds, including the MHR Board’s cash. The MHR Board maintains no control over the investment of its cash. At December 31, 2022, the carrying amount of the MHR Board’s deposits was \$14,982,319.

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the MHR Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead deductions. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the MHR Board’s taxing district.

Licking and Knox Counties are responsible for assessing property, billing, collecting, and distributing all property taxes on behalf of the MHR Board.

Note 6 – Risk Management

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

- a. \$3,000,000 coverage for Comprehensive Property and General liability.
- b. \$1,000,000 coverage for Errors and Omissions.

There have been no significant reductions in insurance coverage during 2022. Settled claims have not exceeded commercial excess coverage in any of the past three years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 7 – Defined Benefit Pension Plan

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

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 7 – Defined Benefit Pension Plan (Continued)

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2022 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

** This pension employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00% for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2022, the MHR Board’s contractually required contribution was \$69,884.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 8 – Postemployment Benefits

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment 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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed selfinsured plan. An Allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and reemployed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 8 – Postemployment Benefits (Continued)

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. When funding is approved by the OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The MHR contractually required contribution was \$0 for 2022.

Note 9 – Recovery of Advances

To alleviate cash flow issues at provider agencies, the MHR Board may make advances to a provider agency for services to be rendered. When advances cannot be covered by services provided in the same year, plans may be implemented and/or outstanding balances are placed on contingency for future services. At December 31, 2022, the MHR Board had outstanding advances to Behavioral Healthcare Partners of Central Ohio, Inc. (BHP), formally known as Moundbuilders Guidance Center, Inc. (MGC) which totaled \$322,397.

The BHP advance amount owed the MHR Board, shall be repaid by June 30, 2026 including a balloon payment of \$70,645 due with the last payment. Any offsets approved by the MHR Board will be applied against the Balloon Payment and then the remaining Loan Balance without reducing the minimum payments required until a repayment of all advanced funds are made. No interest shall accrue or be required to be repaid under this agreement.

A summary schedule of the advance repayment is shown below:

<u>Year</u>	<u>Repayment</u>
2023	71,929
2024-2026	179,823
Balloon-2026	70,645
Total	<u>\$322,397</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 10 – Contingent Liabilities

A. Grants

Amounts grantor agencies pay to the MHR Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims should not have a material adverse effect on the overall financial position of the MHR Board at December 31, 2022.

B. Litigation

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

C. Mortgage Note Amortization

The MHR Board receives Capital Funds from Ohio Department of Mental Health (ODMH) and ODMH's Successor Department, Ohio Mental Health and Addiction Services "OhioMHAS" used for capital expenses. In order to assure that the funds are only used for the original purposes, ODMH and OhioMHAS have required the MHR Board to enter into long-term Mortgage Note amortization agreements. The current balances of these Note Agreements at December 31, 2022 are as follows:

<u>Governmental Activities</u>	<u>Years</u>	<u>Interest Rate</u>	<u>Balance at 12/31/21</u>	<u>2022 Additions</u>	<u>2022 Sales- Transfers</u>	<u>2022 Note Reductions</u>	<u>Balance at 12/31/22</u>	<u>Due within one year</u>
1995 River Valley Note	40	0%	\$61,425	\$0	\$0	(\$4,725)	\$56,700	\$4,725
2001 River Valley Note	40	0%	34,500	0	0	(1,725)	32,775	1,725
1998 Main Place Note	40	0%	95,799	0	0	(5,987)	89,812	5,988
2010 Main Place Note	40	0%	224,339	0	0	(7,989)	216,350	7,989
77 Granville Note	30	0%	83,611	0	(81,944)	(1,667)	0	0
419 Wooster Note	30	0%	157,500	0	(154,000)	(3,500)	0	0
Total Notes			\$657,174	\$0	(\$235,944)	(25,593)	\$395,637	\$20,427

The properties purchased with OhioMHAS Capital Funds are intended to provide and support grant program services; therefore, for each year the site and property is used in this manner, the fixed payment is forgiven (amortized) based on an amortization schedule provided by ODMH/OhioMHAS. If the MHR Board ceased to use the property for specified services, the remaining unamortized balance will be due and the MHR Board would be liable for the payment unless other arrangements for the property are agreed to with OhioMHAS. As described in Note 11, the MHR Board sold/transferred the 77 Granville Street and 419 Wooster Road properties to new owners during 2022 with approval from OhioMHAS to transfer the mortgage balances to the new owners of the properties. The MHR Board does not anticipate any change in the use of these properties. Since the MHR Board anticipates using the remaining properties for the agreed-upon specified services, no amortization schedules are presented as no future cash disbursements are anticipated.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 11 – Related Party Transactions

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

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

The MHR Board entered into a lease agreement on December 1, 2016 with Behavioral Health Care Partners of Central Ohio, Inc. (BHP). The lease agreement requires BHP to pay rent of \$250 per month to the MHR Board for real property on 77 Granville Street in Newark and to pay the MHR Board a one-time Property Repair fund payment of \$10,000. This Lease agreement was terminated on June 30, 2022 with the sale/transfer of the Property by MHR in agreement with OhioMHAS for the transfer of the note balance to the new owner.

The MHR Board entered into a lease agreement on February 2, 2018 with Behavioral Health Care Partners of Central Ohio, Inc. (BHP). The lease agreement requires BHP to pay rent of \$250 per month to the MHR Board for real property on 419 Wooster Road in Mount Vernon and to pay the MHR Board a one-time Property Repair of \$10,000. This Lease was terminated on July 31, 2022 with the sale/transfer of the property by MHR in agreement with OhioMHAS for the transfer of the note balance to the new owner.

Note 12 - Leases

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

For The Year Ending	Amounts
2023	57,748
2024	<u>29,650</u>
Total	\$87,398

Lease payments for the year ending December 31, 2022 totaled \$59,370.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 and due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended April 2023. During 2022, the MHR Board received COVID-19 funding. The financial impact of COVID-19 and the emergency measures may impact subsequent periods of the MHR Board. In addition, the impact on the MHR Board's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

SUPPLEMENTARY INFORMATION

**MENTAL HEALTH AND RECOVERY OF LICKING AND KNOX COUNTIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	TOTAL EXPENDITURES OF FEDERAL AWARDS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Direct Awards</i>			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	1 GA1RH39549-01-00	\$ 250,689
<i>Passed through the Ohio Department of Mental Health & Addiction Services</i>			
Block Grants for Community Mental Health Services	93.958	B09S2082623-01/B09SM086030	64,069
COVID-19 - Block Grants for Community Mental Health Services	93.958	COVID-19, B09SM084002/B09SM085918	30,275
Total Block Grants for Community Mental Health Services			<u>94,344</u>
Block Grants for Prevention and Treatment of Substance Abuse - Prevention	93.959	B08TI083470/B08TI084665	246,546
Block Grants for Prevention and Treatment of Substance Abuse - Treatment	93.959	B08TI083470/B08TI084665	258,746
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse - Crisis Infrastructure	93.959	COVID-19, B08TI083541	50,000
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse - Treatment for Adults with Alcohol Use Disorder	93.959	COVID-19, B08TI083541	113,899
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse - SABG COVID Mitigation	93.959	COVID-19, B08TI084601	14,141
Block Grants for Prevention and Treatment of Substance Abuse - Women's Treatment	93.959	6B08TI083470-01M002	53,140
Block Grants for Prevention and Treatment of Substance Abuse - Women's Treatment	93.959	1B08TI084665-01	68,566
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>805,038</u>
COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	COVID-19, H79FG000202/H79FG000645	12,000
Social Services Block Grant	93.667	2101OHSOSR/2201OHSOSR	125,599
Opioid STR	93.788	1H79TI083294-01	1,274,824
Opioid STR	93.788	1H79TI085753-01	181,111
Total Opioid STR			<u>1,455,935</u>
Total U.S. Department of Health and Human Services			<u>2,743,605</u>
U.S. DEPARTMENT OF THE TREASURY			
<i>Passed through the Ohio Department of Mental Health & Addiction Services</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19, DMHF22CVD2	438,950
Total U.S. Department of the Treasury			<u>438,950</u>
Total Federal Financial Assistance			<u>\$ 3,182,555</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Mental Health and Recovery for Licking and Knox Counties under programs of the federal government for the year ended December 31, 2022 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Mental Health and Recovery for Licking and Knox Counties, it is not intended to and does not present the financial position or changes in net position of the Mental Health and Recovery for Licking and Knox Counties. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 – DE MINIMIS COST RATE

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The Mental Health and Recovery for Licking and Knox Counties has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

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

To the Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash-basis financial statements of the governmental activities and the major fund of the Mental Health and Recovery for Licking and Knox Counties, Licking County, Ohio, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Mental Health and Recovery for Licking and Knox Counties' basic financial statements and have issued our report thereon dated July 27, 2023, wherein we noted the Mental Health and Recovery for Licking and Knox Counties uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mental Health and Recovery for Licking and Knox Counties' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mental Health and Recovery for Licking and Knox Counties' internal control. Accordingly, we do not express an opinion on the effectiveness of the Mental Health and Recovery for Licking and Knox Counties' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Mental Health and Recovery for Licking and Knox Counties' financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Mental Health and Recovery for Licking and Knox Counties

Licking County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mental Health and Recovery for Licking and Knox Counties' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mental Health and Recovery for Licking and Knox Counties' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mental Health and Recovery for Licking and Knox Counties' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.

July 27, 2023

**Independent Auditor’s Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

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

To the Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Mental Health and Recovery for Licking and Knox Counties’ compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Mental Health and Recovery for Licking and Knox Counties’ major federal programs for the year ended December 31, 2022. The Mental Health and Recovery for Licking and Knox Counties’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

In our opinion, the Mental Health and Recovery for Licking and Knox Counties complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the “Auditor’s Responsibilities for the Audit of Compliance” section of our report.

We are required to be independent of the Mental Health and Recovery for Licking and Knox Counties and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Mental Health and Recovery for Licking and Knox Counties’ compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Mental Health and Recovery for Licking and Knox Counties’ federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Mental Health and Recovery for Licking and Knox Counties' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Mental Health and Recovery for Licking and Knox Counties' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Mental Health and Recovery for Licking and Knox Counties' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Mental Health and Recovery for Licking and Knox Counties' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Mental Health and Recovery for Licking and Knox Counties' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Mental Health and Recovery for Licking and Knox Counties
Licking County
Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
July 27, 2023

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022**

1. SUMMARY OF AUDITORS' RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Opioid STR (ALN 93.788)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



MENTAL HEALTH AND RECOVERY FOR LICKING AND KNOX COUNTIES

LICKING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/14/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
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