



**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
40 North Sandusky Street, Suite 301
Delaware, Ohio 43015

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, and the major fund of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio (the Board), as of and for the year ended December 31, 2018, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as, our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, and the major fund of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio, as of December 31, 2018, and the respective changes in cash financial position and the budgetary comparison for the General 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 May 16, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

May 16, 2019

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

The management's discussion and analysis of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2018, within the limitation of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of the Board's governmental activities increased \$702,630 from 2017. The increase was due to the net effect of two occurrences. First, the funding received from the State of Ohio exceeded what had been expected by approximately \$421,000. Second, the State of Ohio's Medicaid Department implemented a change to the billing structure for Medicaid services that was effective January 1, 2018. This change caused delays in provider's billings and for some the delays resulted in denied claims. Also, 20% of provider contract amounts continue to be unpaid due to Medicaid expansion that began in 2014.
- General cash receipts accounted for \$8,074,538 or 77% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,416,362 or 23% of total governmental activities cash receipts. Total governmental activities cash receipts for 2018 were \$10,490,900. These are higher than the amounts from 2017 in all categories. The increase in general receipts and program cash receipts as compared to 2017, are due to the funding issue mentioned above related to the State of Ohio.
- The Board had \$9,788,270 in cash disbursements related to governmental activities; \$2,416,362 of these cash disbursements was offset by program specific operating grants or contributions. The remaining cash disbursements of the governmental activities of \$7,371,908 was offset by general cash receipts of \$8,074,538 (primarily taxes and unrestricted grants and entitlements) that also provided an increase in the net change in fund balances of \$702,630.
- The Board presents a singular governmental fund, the Mental Health and Recovery Services fund. This fund had cash receipts of \$10,490,900 and cash disbursements of \$9,788,270. The net increase in fund balance was \$702,630. See explanations above as reasons for these changes.

Using the Basic Financial Statements (BFS)

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

The Statement of Net Position – Cash Basis and Statement of Activities-Cash Basis provide information about the activities of the Board as a whole, presenting both an aggregate view of the Board's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

Since the Board uses the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded on these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Board as a Whole

Statement of Net Position and the Statement of Activities

A general question typically asked about the Board's finances is "How did we do financially during 2018?" The Statement of Net Position-Cash Basis and the Statement of Activities-Cash Basis answers this question. These statements present only the net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's cash receipts and cash disbursements if the cash is actually received or paid.

These two statements report the Board's net position and changes in position on a cash basis. This change in net position is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Board's property tax base, current property tax laws in Ohio restricting revenue growth, changes in Medicaid funding, changes in required community programs and other factors.

In the Statement of Net Position-Cash Basis and the Statement of Activities-Cash Basis, the Board is consisted of the following types of activities:

Governmental activities – The Board's programs and services are reported here including general and Mental Health and Substance Abuse programs. These services are funded primarily by real estate taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the Board's Most Significant Fund

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses a fund to account for financial transactions and has segregated these funds into a major fund. Information for its major fund is presented separately in the governmental fund financial statements. The Board's major governmental fund is the Mental Health and Recovery Services fund.

Governmental Fund

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. For the Board, this fund is reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Since the Board is reporting on the cash basis of accounting, there are no differences between net position and fund balances or changes in net position and changes in fund balances. Therefore, no such reconciliation is necessary between such financial statements.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

The Board’s budgetary process accounts for certain transactions on the cash basis. The budgetary statement for the Mental Health and Recovery Services fund is presented to demonstrate the Board’s compliance with annually adopted budgets. Differences arising between the changes in fund balance presented on the fund financial statements and fund balance on the budgetary statement may be attributed to outstanding encumbrances at year end.

The Board as a Whole

Recall that the Statement of Net Position – Cash Basis provides the perspective of the Board as a whole.

The table below provides a summary of the Board’s Net Position for 2018 and 2017:

| | <u>Governmental Activities 2018</u> | <u>Governmental Activities 2017</u> |
|------------------------|---|---|
| <u>Assets</u> | | |
| Cash with Fiscal Agent | \$ 12,556,898 | \$ 11,854,268 |
| Total assets | <u>12,556,898</u> | <u>11,854,268</u> |
| <u>Net Position</u> | | |
| Restricted | 894,841 | - |
| Unrestricted | <u>11,662,057</u> | <u>11,854,268</u> |
| Total net position | <u>\$ 11,662,057</u> | <u>\$ 11,854,268</u> |

Net position of the Board’s governmental activities increased \$702,630 from 2017.

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**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

The table below provides a summary of changes in the Board's Net Position for 2018 and 2017:

| | Governmental Activities 2018 | Governmental Activities 2017 |
|--------------------------------------|------------------------------------|------------------------------------|
| | <u>2018</u> | <u>2017</u> |
| Cash receipts: | | |
| Program cash receipts: | | |
| Operating grants and contributions | \$ 2,416,362 | \$ 1,783,823 |
| Total program cash receipts | <u>2,416,362</u> | <u>1,783,823</u> |
| General cash receipts: | | |
| Property taxes | 6,862,990 | 6,637,220 |
| Unrestricted grants and entitlements | 884,634 | 845,871 |
| Miscellaneous | 326,914 | 166,964 |
| Total general cash receipts | <u>8,074,538</u> | <u>7,650,055</u> |
| Total cash receipts | <u>10,490,900</u> | <u>9,433,878</u> |
| Cash disbursements: | | |
| General Government | 830,543 | 912,672 |
| Behavioral Health Services | 8,957,727 | 7,940,040 |
| Total cash disbursements | <u>9,788,270</u> | <u>8,852,712</u> |
| Change in net position | 702,630 | 581,166 |
| Net position at beginning of year | <u>11,854,268</u> | <u>11,273,102</u> |
| Net position at end of year | <u>\$ 12,556,898</u> | <u>\$ 11,854,268</u> |

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**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

Behavioral Health Services, which consists of payments to provider agencies, accounted for \$8,957,727 of the total cash disbursements of the Board. These services were offset by \$2,416,363 in operating and grants and contributions.

The Statement of Activities-Cash Basis shows the cost of program services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen below, the Board is highly dependent upon property taxes as well as unrestricted grants and entitlements to support its governmental activities. A comparative analysis of governmental data is presented for 2018 and 2017.

Governmental Activities

| | Total Cost of Services 2018 | Net Cost of Services 2018 | Total Cost of Services 2017 | Net Cost of Services 2017 |
|-----------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program Cash Disbursements: | | | | |
| General Government | \$ 830,543 | \$ 830,543 | \$ 912,672 | \$ 912,672 |
| Behavioral Health Services | 8,957,727 | 6,541,365 | 7,940,040 | 6,156,217 |
| Total | \$ 9,788,270 | \$ 7,371,908 | \$ 8,852,712 | \$ 7,068,889 |

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**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

Financial Analysis of the Board's Fund

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The Board's governmental fund is accounted for using the cash basis of accounting.

The Board's governmental fund reported a fund cash balance of \$12,556,898, which is \$702,630 more than last year's combined total of \$11,854,268. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2018 and December 31, 2017, for its major governmental fund.

| | Fund Balances 12/31/2018 | Fund Balances 12/31/2017 | Increase |
|--|-----------------------------|-----------------------------|-------------------|
| Mental Health and Recovery Services Fund | <u>\$ 12,556,898</u> | <u>\$ 11,854,268</u> | <u>\$ 702,630</u> |

Budgeting Highlights

The Board's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Board's appropriations which are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the Board's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

The actual cash receipts came in \$572,416 more than they were in the final budget and actual cash disbursements were \$3,200,306 less than the amount in the final budget. Budgeted cash disbursements changed from the original to the final budget.

Capital Assets and Debt Administration

Capital Assets

The Board does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as cash disbursements. However, per board policy, the Board does track and keep a current capital asset listing for purposes of estimating values for insurance policy replacement.

Debt Administration

The Board did not have any outstanding debt at December 31, 2018.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

(UNAUDITED)

Economic Conditions and Outlook

Overall, the receipts and fund balance of the Board have remained stable. The Board collected the full 1.0 mill in Calendar Year (CY) 2018 and 2017. The electorate overwhelmingly passed a 1 mill five-year renewal property tax levy in November, 2016. The levy revenues represent 76% of the total revenue the Board expects to expend in fiscal year (FY) 2019. The percentage of levy funding is expected to provide the majority of the total revenue in future fiscal years. State and Federal funding levels are inconsistent from year to year and have decreased over time. The Board and local behavioral health system of care are very reliant on the stable support and continuation of the levy revenues. The Board maintains a network of providers that deliver mental health and substance abuse prevention and treatment services, and recovery supports to the residents of Delaware and Morrow Counties. The Board and its administration maintain careful financial planning and prudent fiscal management in order to balance the budget annually and for long-term service system stability. The Board expends over 90 % of all revenue received for prevention and treatment services, and supports. Due to the lag time between the delivery of services and billing by contract providers, some contract payments from one fiscal year are made in the following fiscal year.

The expansion in Ohio's Medicaid Program, which provides more low-income individuals coverage for treatment services, has impacted the ability of several of the Board's contract providers to fully earn non-Medicaid funds since its enactment in 2014. As a result, the Board's fund balance increased in the short run due to a larger portion of treatment services being reimbursed from Medicaid rather than from Board fund sources. The Board made an adjustment in the fund balance by approving a one-time levy collection reduction of .75 mill for the 2016 tax year. The Board is expecting to continue to re-allocate Board funding sources to increase prevention, intervention, and non-Medicaid eligible treatment services capacity and recovery supports in FY 2019. The Board maintains a reserve to secure a viable long-term safety net of services and supports for the residents of Delaware and Morrow Counties.

In addition to Medicaid expansion, beginning January 2018 the entire Medicaid billing structure changed. Prior to this date Behavioral Health services had been carved out within the State Medicaid Department's budget. At this date, Behavioral Health billing was brought up to date with current Physical Health processes. This has meant a total overhaul of provider EHR billings systems as well as county Mental Health Boards' client billing systems. As stated previously, this change did effect the current year's payments to provider agencies. Whether this is just a one time decrease to historical trends and will fall back in line with historical trends in subsequent years is not known. What is known is that some services are being paid at lower rates than under the previous structure. What changes that will need to be made by county Mental Health Boards to ensure quality care for their residents is something that will need to be evaluated under this new structure.

Due to expected major Federal changes to the Affordable Care Act and State government initiatives for the Medicaid program, the Board is anticipating changes in public policy and corresponding administrative changes in the next State fiscal year. However, until these policy changes are finalized, the Board and local service system will be unable to fully adjust to these major changes and any resulting disruption in services to the residents of the two-county area.

Contacting the Board's Financial Management

This financial report is designed to provide, local citizens, taxpayers, and community with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Ms. Dawn Kuhn, Finance Director or Ms. Deanna Brant, Executive Director of the Delaware-Morrow Mental Health and Recovery Services Board, 40 North Sandusky Street, Suite 301, Delaware, Ohio 43015, 740-368-1740.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Governmental Activities</u> |
|-------------------------------|------------------------------------|
| Assets | |
| Cash with Fiscal Agent | \$ 12,556,898 |
| <i>Total Assets</i> | <u>12,556,898</u> |
| | |
| Net Position | |
| Restricted for Grant Programs | \$ 894,841 |
| Unrestricted | <u>11,662,057</u> |
| <i>Total Net Position</i> | <u>\$ 12,556,898</u> |

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

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

| | <u>Cash Disbursements</u> | <u>Program Cash Receipts Operating Grants and Contributions</u> | <u>Net (Cash Disbursements) Cash Receipts and Changes in Net Position</u> |
|--|-------------------------------|---|---|
| Governmental Activities | | | <u>Governmental Activities</u> |
| General Government | \$ 830,543 | \$ - | \$ (830,543) |
| Behavioral Health Services | <u>8,957,727</u> | <u>2,416,362</u> | <u>(6,541,365)</u> |
| <i>Total Governmental Activities</i> | <u>\$ 9,788,270</u> | <u>\$ 2,416,362</u> | <u>\$ (7,371,908)</u> |
| General Cash Receipts: | | | |
| Property Taxes Levied for: | | | |
| | | | 6,862,990 |
| | | | 884,634 |
| | | | <u>326,914</u> |
| | | <i>Total General Receipts</i> | <u>8,074,538</u> |
| | | Change in Net Position | 702,630 |
| | | <i>Net Position Beginning of Year</i> | <u>11,854,268</u> |
| | | <i>Net Position End of Year</i> | <u>\$ 12,556,898</u> |

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Mental Health and Recovery Services Fund |
|-------------------------------|---|
| Assets | |
| Cash with Fiscal Agent | \$ 12,556,898 |
| <i>Total Assets</i> | 12,556,898 |
| Fund Balance | |
| Restricted for Grant Programs | 894,841 |
| Assigned | 7,342,828 |
| Unassigned | 4,319,229 |
| <i>Total Fund Balance</i> | \$ 12,556,898 |

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

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

| | Mental Health and Recovery Services Fund |
|---|---|
| Cash Receipts: | |
| Property and Other Local Taxes | \$ 6,862,990 |
| Intergovernmental | 3,300,996 |
| Miscellaneous | 326,914 |
| | 10,490,900 |
| Cash Disbursements: | |
| Current: | |
| General Government | 830,543 |
| Behavioral Health Service | 8,957,727 |
| | 9,788,270 |
| <i>Total Cash Disbursements</i> | <i>9,788,270</i> |
| <i>Net Change in Fund Balance</i> | <i>702,630</i> |
| <i>Fund Balance Beginning of Year</i> | <i>11,854,268</i> |
| <i>Fund Balance End of Year</i> | <i>\$ 12,556,898</i> |

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
MENTAL HEALTH AND RECOVERY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|---------------|---|
| | Original | Final | Actual | |
| Budgetary Basis Receipts: | | | | |
| Property and Other Local Taxes | \$ 6,782,171 | \$ 6,782,171 | \$ 6,862,990 | \$ 80,819 |
| Intergovernmental | 2,880,276 | 2,880,276 | 3,300,996 | 420,720 |
| Miscellaneous | 256,037 | 256,037 | 326,914 | 70,877 |
| <i>Total Budgetary Basis Receipts</i> | 9,918,484 | 9,918,484 | 10,490,900 | 572,416 |
| Budgetary Basis Disbursements: | | | | |
| Current: | | | | |
| General Government | \$1,058,962 | \$1,058,962 | \$830,543 | \$228,419 |
| Behavioral Health Services | \$11,529,909 | \$12,529,909 | \$9,608,022 | \$2,921,887 |
| Capital Outlay | \$50,000 | \$50,000 | \$0 | \$50,000 |
| <i>Total Budgetary Basis Disbursements</i> | 12,638,871 | 13,638,871 | 10,438,565 | 3,200,306 |
| <i>Excess (Deficiency) of Budgetary Basis Receipts (Under) Budgetary Basis Disbursements</i> | (2,720,387) | (3,720,387) | 52,335 | 3,772,722 |
| Other Financing Sources (Uses) | | | | |
| <i>Transfers Out</i> | (1,150,000) | (1,150,000) | 0 | 1,150,000 |
| <i>Net Change in Fund Balance</i> | (3,870,387) | (4,870,387) | 52,335 | 4,922,722 |
| <i>Fund Balance at Beginning of Year</i> | 11,276,768 | 11,276,768 | 11,276,768 | - |
| <i>Prior Year Encumbrance</i> | 577,500 | 577,500 | 577,500 | - |
| <i>Fund Balance at End of Year</i> | \$ 7,983,881 | \$ 6,983,881 | \$ 11,906,603 | \$ 4,922,722 |

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

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

Note 1 – Reporting Entity

The Delaware-Morrow Mental Health and Recovery Services Board, Delaware, Ohio (the 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. The Board is made up of fourteen members and provides alcohol, drug addiction, and mental health services and programs to citizens of Delaware and Morrow 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 Board.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America 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 Board's accounting policies.

A. 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. The Board's statements are presented as governmental activities, and generally are financed through taxes, intergovernmental receipts, or other non-exchange transactions.

The statement of net position presents the financial position of the governmental of the Board at year end. The statement of activities compares cash disbursements with program cash receipts for each of the Board's governmental activities. Cash 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 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 cash 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 Board's general cash receipts.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

The Board's has one major fund as described below. If there are any non-major funds, they are aggregated and presented in a single column. There were no non-major funds for the year ended 2018.

B. Basis of Accounting

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

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.

C. Fund Accounting

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

Governmental Fund

The Board classifies funds financed primarily from taxes, intergovernmental cash receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Board's major governmental fund is the Mental Health and Recovery Services fund.

Mental Health and Recovery Services Fund- This fund is used to account for all financial resources and used for alcohol, drug addiction, mental health services and program, and general purposes for citizens in Delaware and Morrow counties.

D. 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 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 Board may appropriate.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

The appropriations resolution is the Board's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established at the fund, function and object level.

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

Appropriations are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts original appropriations for that fund that covered the entire year, including amounts automatically carried forward from prior years.

E. Cash and Cash Equivalents

As required by Ohio Revised Code, the Delaware County Treasurer is custodian for the Board's cash. The Board's cash is held in Delaware County's cash and investment pool, and is valued at the County Treasurer's carrying amount. Deposits and investments disclosures for Delaware County may be obtained from the Delaware County Treasurer's office.

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 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.

G. Capital Assets

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

H. 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 cash basis of accounting.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Employer Contributions to Cost-Sharing Pension Plans

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

J. Net Position

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

J. Fund Balance

In 2016, the Board adopted a policy that requires the Board to maintain a minimum operating reserve. The Board determined an appropriate operating reserve was \$500,000. Due to the nature of the policy, the operating reserve has been included in the unassigned fund balance.

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

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. This classification of fund balance did not apply to the Board at December 31, 2018.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Directors (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the Board of Directors remove or change 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. This classification of fund balance did not apply to the Board at December 31, 2018.

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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 2 – Summary of Significant Accounting Policies (Continued)

In the general fund, assigned amounts represent intended uses established by policies of the Board of Directors, which includes giving management the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Board applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual- (Budgetary Basis) 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 an assigned fund balance (cash basis). Encumbrances at December 31, 2018 were \$650,295.

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements:

| | |
|--|---------------------|
| Statement of Cash Basis Assets and Fund Balances – Fund Balance | \$12,556,898 |
| Encumbrances at December 31, 2018 | <u>(650,295)</u> |
| Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budgetary Basis | <u>\$11,906,603</u> |

Note 4 – Deposits and Investments

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 4 – Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; in eligible institutions pursuant to ORC sections 135.32;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

During 2018, the County invested in STAR Ohio as an investment pool, managed by the State Treasurer's Office, which allows governments to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standard's Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The county measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. The county's other investments included negotiable certificates of deposit, federal agency securities, locally-issued government debt, mutual funds and treasury bonds. All these investments are reported at fair value, which is based on quoted market price or current share value

In addition, authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if Ohio Revised Code training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Board, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Custodial credit risk is the risk that in the event of bank failure, the Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Delaware County Treasurer serves as the fiscal agent for the Board and the investments of Delaware County funds, including the Board's cash.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 4 – Deposits and Investments (Continued)

The Board maintains no control over the investment of its cash. At December 31, 2018, the carrying amount of the Board's deposits was \$12,556,898.

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

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Delaware and Morrow Counties. Real property tax receipts received in 2018 represent the collection of 2017 taxes. Real property taxes received in 2018 were levied after October 1, 2017, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established which Delaware County has chosen to do.

2018 real property taxes are levied after October 1, 2017, on assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate (with the exception of public utility tangible personal property) for all Board operations for the year ended December 31, 2018, was \$1.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2018 tax receipts were based are as follows:

| | |
|--------------------------------|-------------------------------|
| Real Property | |
| Residential | \$7,182,003,830 |
| Agriculture | 336,075,410 |
| Commercial/Industrial/ Mineral | 920,309,420 |
| Public Utility Property | |
| Real | 1,276,410 |
| Personal | <u>418,689,770</u> |
| Total Assessed Value | <u>\$8,858,354,840</u> |

The Counties are responsible for assessing property, billing, collecting, and distributing all property taxes on behalf of the board.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 6 – Risk Management

The Board participates in a risk-sharing pool, the County Risk Sharing Authority (CORSA), for property, casualty, and public officials' insurance coverage. The Board retains the risk for property, casualty, and public officials' insurance coverage up to \$100,000 per occurrence. Following these deductibles, the pool retains the risk per occurrence up to \$1,000,000. An excess policy insures claims exceeding this self-insured retention up to \$10,000,000. The Board would retain any losses above the excess policy level. Settlement amounts have not exceeded insurance coverage for the last three years.

Delaware County provides worker's compensation insurance for the Council through a self-insurance plan offered by the State of Ohio. The plan allows the County to administer its own worker's compensation claims, including the approval of claims and payment of compensation and medical payments for injured employees. The plan requires that the County participate in the Self-Insured Employers Guaranty Fund through the State of Ohio that guarantees that claims liabilities are satisfied if the self-insured employer is unable to pay claims.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Board employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 7 – Defined Benefit Pension Plans (Continued)

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

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 7 – Defined Benefit Pension Plans (Continued)

Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

| | <u>State and Local</u> |
|--|----------------------------|
| 2018 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2018 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits | <u>0.0</u> |
| Total Employer | <u>14.0 %</u> |
| Employee | <u>10.0 %</u> |

The Board provides an OPERS pickup of 3.0% as a benefit to all employees. This increases the Board's total contribution to 17% for all employees. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board's contractually required contribution was \$70,100 for year 2018.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

A. Plan Description

OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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.

B. Funding Policy

The ORC provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, the Board contributed at a rate of 14.00% of earnable salary for state and local employees. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund the OPEB Plan.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 8 - Postemployment Benefits (Continued)

B. Funding Policy (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-Directed Plan for 2018 was 4.0 percent.

Actual employer contributions which were used to fund postemployment benefits for the year ended December 31, 2018, is \$0.

Note 9 – Recovery of Advances

To alleviate cash flow issues at provider agencies, The Board may make advances to a provider agency for services to be rendered. Provider agency contracts allow providers to request up to two twelfths of the agency contract amount. One fifth of the advance amount will be collected in February through June (last five months of contract). In August 2018, HelpLine and Recovery & Prevention Resources of Delaware and Morrow Counties requested advances. The executive committee approved and paid one twelfth of the contracted amount to each agency. At December 31, 2018, HelpLine and Recovery & Prevention Resources of Delaware and Morrow Counties had advances of \$119,807 and \$79,075, respectively.

In addition to these advances, The Board provided The Group of Delaware's predecessor, No Limits of Morrow County, an advance of \$15,000, without interest, which sum remains unpaid. The Group of Delaware agrees in their contract that in consideration of The Board's entering into this contract and because of the comingling of assets by merging entities (wherein The Group of Delaware is operating successor organization), The Group of Delaware assumes responsibility for the obligation of No Limits of Morrow County to The Board only when; a) there is no longer a contract in effect between The Board and The Group of Delaware for services of the kind generally required under its current contract or, b) The Group of Delaware defaults under its contract, discontinues business, is sold, merged into another entity, files bankruptcy or otherwise terminates its corporate existence. The Group of Delaware shall pay The Board within (30) days of the occurrence of any of the aforementioned events. None of these events have occurred as of December 31, 2018.

Note 10 – Contingent Liabilities

A. Grants

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 such disallowed claims would not have a material adverse effect on the overall financial position of the Board at December 31, 2018.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD,
DELAWARE COUNTY**

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

(CONTINUED)

Note 10 – Contingent Liabilities (Continued)

B. Litigation

The Board is currently not involved in any pending litigation.

C. Mortgage Note Amortization

The Board received Capital funds from Ohio Mental Health and Addiction Services (OhioMHAS) used for capital expenses. In order to assure that the funds are only used for original purposes, OhioMHAS has required the Board to enter into long-term Mortgage Note amortization agreements. The current balances of the Note Agreements at December 31, 2018 are as follows:

| <u>Governmental Activities</u> | <u>Note Amort- ization (Years)</u> | <u>Interest Rate</u> | <u>Note Balance at 12/31/17</u> | <u>2018 Note Additions</u> | <u>2018 Note Reductions</u> | <u>Note Balance at 12/31/18</u> |
|--------------------------------|--|--------------------------|---|--------------------------------|---------------------------------|---|
| 912 East Vine St, Edison | 40 | 0% | \$132,823 | \$ - | \$ (5,308) | \$127,515 |
| 950 Meadow Center Dr. | 40 | 0% | \$221,622 | - | \$(17,483) | \$204,139 |
| Total Notes | | | <u>\$354,445</u> | <u>\$ -</u> | <u>\$(22,791)</u> | <u>\$331,654</u> |

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 upon an amortization schedule provided by OhioMHAS. If The Board ceased to use the property for specified services, the remaining unamortized balance would be due and The Board would be liable for the payment. The Board does not anticipate any change in the use of the properties.

Note 11 – Fund Balance

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for its major governmental fund is presented below for 2018:

| <u>Fund Balance</u> | <u>Mental Health and Recovery Services Fund</u> |
|-------------------------------|---|
| Restricted for Grant Programs | \$ 894,841 |
| Assigned for: | |
| Building Development | 2,825,000 |
| Encumbrances | 503,114 |
| Subsequent Appropriations | 4,014,714 |
| Unassigned | 4,319,229 |
| Total Fund Balance | <u>\$ 12,556,898</u> |

Total encumbrances of \$650,295 as identified in Note 3 includes \$147,181 that is included in Restricted for Grant Programs above. GASB 54 stipulates that encumbered amounts for specific purposes for which resources have been restricted, committed, or assigned should not result in a separate display of the encumbered amounts within those classifications. Thus, Assigned for Encumbrances of \$503,114 excludes amounts included in Restricted for Grant Programs.

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OHIO AUDITOR OF STATE KEITH FABER



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

Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
40 North Sandusky Street, Suite 301
Delaware, Ohio 43015

To the Board of Directors:

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 Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, (the Board) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated May 16, 2019, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

May 16, 2019

OHIO AUDITOR OF STATE KEITH FABER



DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 13, 2019**