

GATEWAY BEHAVIORAL HEALTH SERVICES  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

GATEWAY BEHAVIORAL HEALTH SERVICES

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**GWA**  
**GARLAND, WILLIAMS & ASSOCIATES, P C**

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INDEPENDENT AUDITOR'S REPORT

To The Community Service Board  
Gateway Behavioral Health Services  
Brunswick, Georgia

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gateway Behavioral Health Services, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Gateway Behavioral Health Services' basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gateway Behavioral Health Services, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MEMBERS:  
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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 6), budgetary comparison information (pages 32 through 51), Schedule of Proportionate Share of Net Pension Liability (page 52), and Schedule of Contributions (page 53), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gateway Behavioral Health Services' basic financial statements. The accompanying financial information listed as "Other Information" in the Table of Contents is presented for purposes of additional analysis and for the additional requirements under the Georgia Department of Behavioral Health and Developmental Disabilities' External Entities Audit Standards and Sanctions Policy, and is not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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. Such 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 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 December 20, 2016, on our consideration of Gateway Behavioral Health Services' 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 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 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 Gateway Behavioral Health Services' internal control over financial reporting and compliance.

Garland, Williams and Associates, PC



Certified Public Accountants  
Albany, Georgia  
December 20, 2016

## GATEWAY BEHAVIORAL HEALTH SERVICES

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Fiscal Year Ended June 30, 2016

The management of Gateway Behavioral Health Services presents the following Management's discussion and analysis to provide an objective and easily readable analysis of Gateway Behavioral Health Services' financial activities. The analysis provides summary financial information for Gateway Behavioral Health Services and should be read in conjunction with Gateway Behavioral Health Services' financial statements.

Gateway Behavioral Health Services (Gateway) provides comprehensive mental health, developmental disabilities, and addictive diseases services (MH/DD/AD) to Bryan, Camden, Chatham, Effingham, Glynn, Liberty, Long, and McIntosh counties in the State of Georgia. Gateway is a public agency and instrumentality of the State of Georgia organized under section 37-2-6 of the Official Code of Georgia Annotated (OCGA), originally created by Georgia House Bill 100 in 1994 and recreated by Georgia House Bill 498 in 2002.

Community Service Boards, such as Gateway, are created by state statute as public agencies to govern publicly funded programs for mental health, developmental disabilities and addictive diseases services. (OCGA Section 37-2-6 (a)).

Gateway's main administrative office is located in Brunswick, Georgia (Glynn County) with services provided at over 40 different service sites in the 4000 square mile, eight county service area. Services include, but are not limited to, outpatient, day treatment services, community outreach, crisis intervention, residential, and habilitation/rehabilitation. Approximately 51% of Gateway's funding comes in the form of Grant-In-Aid (GIA) through DBHDD. Most of its remaining funding comes in the form of Fee-For-Service from primarily Medicaid and secondarily, Medicare.

For fiscal year 2016, Gateway was under the management of DBHDD which assumed such responsibility in 2003. DBHDD will continue to manage and operate the programs and services of Gateway until such time as a determination has been made that the circumstances or conditions requiring the same have been sufficiently corrected. Upon such determination, the authority to manage and operate the programs and services of the agency shall be returned to the local board.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

Gateway Behavioral Health Services' basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to the financial statements*. The *Government-wide financial statements* present an overall picture of Gateway Behavioral Health Services' financial position and results of operations. The *Fund financial statements* present financial information for Gateway Behavioral Health Services' major funds. The *Notes to the financial statements* provide additional information concerning Gateway Behavioral Health Services' finances that are not disclosed in the Government-wide or Fund financial statements.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Gateway Behavioral Health Services only operates Governmental Activities which are supported by federal and state grants, Medicaid and other revenues. The Board does not have any fiduciary or proprietary funds.

The **statement of net position** presents information on all assets and liabilities of Gateway Behavioral Health Services, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental Activities.

The **statement of activities** presents information on all revenues and expenses of Gateway Behavioral Health Services and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by Gateway Behavioral Health Services. Governmental Activities provided by Gateway Behavioral Health Services include Mental Health, Developmental Disabilities, Addictive Disease, and TANF Programs.

*Fund financial statements* present financial information for governmental funds, proprietary funds, and fiduciary funds. These financial statements provide financial information for the major funds of Gateway Behavioral Health Services. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

*Fund financial statements* include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balances** for all governmental funds. **Comparative statements of revenues and expenditures to budget** are provided in the required supplementary information for Gateway Behavioral Health Services' Grants and Contracts that ended during the Fiscal Year. *Fund financial statements* provide more detailed information about Gateway Behavioral Health Services' activities. Individual funds are established by Gateway Behavioral Health Services to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of State and federal grants.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of Gateway Behavioral Health Services. The government-wide financial statements provide an overall picture of Gateway Behavioral Health Services' financial standing. These statements are comparable to private-sector companies and give a good understanding of Gateway Behavioral Health Services' overall financial health and how Gateway Behavioral Health Services paid for the various activities, or functions, provided by Gateway Behavioral Health Services. All assets of Gateway Behavioral Health Services are reported in the **statement of net position**. All liabilities, including future employee benefits obligated but not paid by Gateway Behavioral Health Services, are included. The **statement of activities** includes depreciation on all long lived assets of Gateway Behavioral Health Services, but transactions between the different functions of Gateway Behavioral Health Services have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of Gateway Behavioral Health Services. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

*Notes to the Financial Statements* provide additional detail concerning the financial activities and financial balances of Gateway Behavioral Health Services. Additional information about the accounting practices of Gateway Behavioral Health Services is included in the *Notes to the Financial Statements*.

## **FINANCIAL HIGHLIGHTS**

Total assets of Gateway Behavioral Health Services exceeded total liabilities by \$1,167,532. Unrestricted net position for Governmental Activities was a deficit of \$1,864,342. The net investment in Capital Assets was \$3,031,874. Total liabilities were \$13,335,063, which includes total Non-Current Liabilities, which are Compensated Absences of \$123,369, Leases Payable of \$5,881,570, and Net Pension Liability of \$705,429.

**FINANCIAL ANALYSIS OF THE GATEWAY BEHAVIORAL HEALTH SERVICES**

The following schedule provides a summary of the assets, liabilities and net position of Gateway Behavioral Health Services:

	<b>Net Position</b>		<b>Percentage</b>
	<b>Governmental Activities</b>		<b>Increase</b>
	<u><b>2016</b></u>	<u><b>2015</b></u>	<b>(Decrease)</b>
<b>Current Assets</b>	\$ 7,187,323	\$ 4,090,377	75.71%
<b>Capital Assets</b>	7,592,749	7,671,671	( 1.03%)
<b>Deferred Outflows</b>	<u>42,277</u>	<u>97,609</u>	( 56.69%)
<b>Total Assets and Deferred Outflows</b>	\$ <u>14,822,349</u>	\$ <u>11,859,657</u>	<u>24.98%</u>
<b>Current Liabilities</b>	\$ 6,624,695	\$ 5,874,159	12.78%
<b>Non-Current Liabilities</b>	6,710,368	5,379,944	24.73%
<b>Deferred Inflows</b>	<u>319,754</u>	<u>245,458</u>	<u>30.27%</u>
<b>Total Liabilities and Deferred Inflows</b>	\$ <u>13,654,817</u>	\$ <u>11,499,561</u>	<u>18.74%</u>
<b>Net Position</b>			
<b>Investment in Capital Assets</b>	\$ 3,031,874	\$ 3,208,485	( 5.50%)
<b>Unrestricted</b>	( <u>1,864,342</u> )	( <u>2,848,389</u> )	<u>34.55%</u>
<b>Total Net Position</b>	\$ <u>1,167,532</u>	\$ <u>360,096</u>	<u>224.23%</u>

Total net position for Governmental Activities increased \$807,436 in FY2016.

The following is a schedule of the changes in net position of Gateway Behavioral Health Services:

	<b>Changes in Net Position</b>		<b>Percentage</b>
	<b>Governmental Activities</b>		<b>Increase</b>
	<u><b>2016</b></u>	<u><b>2015</b></u>	<b>(Decrease)</b>
<b>Revenues</b>			
<b>Operating Grants     and Contributions</b>	\$ 12,675,593	\$ 10,479,833	20.95%
<b>Charges for Services</b>	<u>17,879,615</u>	<u>18,335,437</u>	( 2.49%)
<b>Total Revenues</b>	\$ <u>30,555,208</u>	\$ <u>28,815,270</u>	<u>6.04%</u>
<b>Expenses</b>			
<b>Personal Costs</b>	\$ 21,845,173	\$ 20,150,842	8.41%
<b>Other</b>	<u>7,902,599</u>	<u>8,293,617</u>	( 4.71%)
<b>Total Expenses</b>	\$ <u>29,747,772</u>	\$ <u>28,444,459</u>	<u>4.58%</u>
<b>Increase/(Decrease) in Net Position</b>	\$ <u>807,436</u>	\$ <u>370,811</u>	<u>117.75%</u>

Governmental Revenues exceeded Expenses for FY2016 by \$807,436.



## **FUND FINANCIAL INFORMATION**

### **Governmental Funds**

#### **General Fund**

Gateway Behavioral Health Services' General Fund is the main operating fund of Gateway Behavioral Health Services. It is used to account for all financial resources that are not restricted by externally imposed requirements. As of June 30, 2016, total assets were \$7.2 million and total liabilities were \$.6 million. The ending unassigned fund balance was \$1,129,223. The total source of funds of \$30,555,208 exceeded the total use of funds of \$29,889,191 by \$666,017.

### **BUDGETS**

Annual budgets for all programs are prepared on the modified accrual basis of accounting. The budgets are amended during the fiscal year to reflect changes in operations. Expenditures are monitored on a monthly basis to comply with funding limits and programmatic intent. One budget (the HIV 602) falls under the "expense reimbursement" category and budget revisions are done as equipment is purchased as well as changes in other expense categories.

### **DEBT MANAGEMENT**

#### **Governmental Activities Debt**

The Long-Term Debt listed on the Governmental Financial statement includes Compensated Absences Payable to employees upon termination of \$123,369 and Net Pension Liability of \$705,429. The Compensated Absences contain an amount that includes an accrual for payroll taxes that would also be payable upon termination.

### **OTHER FINANCIAL INFORMATION**

Although Gateway's financial position continues to improve, the Commissioner of the Department of Behavioral Health and Developmental Disabilities (DBHDD), with the concurrence of the Governor, has chosen to continue the appointment of the Manager that is acting as Gateway's CEO, in a commitment to maintaining control of the Agency until there is assurance of financial recovery. Georgia's Behavioral Health system underwent significant change in fiscal year 2016, with the transition of the State's administrative services organization, and even greater challenges will be faced in fiscal year 2017 as state grant services transition to a fee-for-service payment model. With this change in mind, the Commissioner wants to ensure that Gateway is on solid financial ground and has transitioned smoothly through these hurdles before moving forward on reinstatement of a Board of Directors.

Fiscal year 2016 strategic initiatives continued to focus on easy access to services and quality of care as the Agency moves closer to fee-for-service. Service delivery metrics were monitored closely over the year, as the Agency made strides toward fee-for-service readiness. Outpatient mental health service delivery for indigent care started the year performing at 86% of grant dollar targets, and ended the year only slightly improved at 87%. Outpatient substance use programming on the other hand made somewhat greater improvements. The year began at 59% of target, and ended at 75%. These results illustrate Gateway's measured improvements, but also make it clear that continued improvements are needed. July 1, 2016 will begin the transition to fee-for-service, and Gateway must remain diligent in order to close the service delivery gaps. If not, a potential \$600,000 may be at risk.

The changes implemented over the past 3 years have resulted in steady improvement to Gateway's operating margin, but fee-for-service does present a threat to the organization if targets are not achieved. With the oversight and guidance of the DBHDD, the leadership team at Gateway BHS is confident that the financial condition will continue to improve in FY 2017. All vendor payments are current, payrolls are being adequately covered, but the tightening of margins has caused the Agency's cash position to slip slightly by 33% from 13 days to 9 days of cash on hand. Gateway's future outlook is for steady and consistent growth in an effort to provide high quality services for the complete continuum of care, while remaining cautiously aware of the Agency's financial position.

GATEWAY BEHAVIORAL HEALTH SERVICES

STATEMENT OF NET POSITION

June 30, 2016

ASSETS	GATEWAY BEHAVIORAL HEALTH SERVICES	DISTINCTIVE HOUSING SOLUTIONS INC.	TOTAL
<b>Current Assets</b>			
Cash	\$ 1,735,213	\$ 513,956	\$ 2,249,169
Restricted Cash	1,500,000	2,500	1,502,500
Accounts Receivable	1,928,295	12,714	1,941,009
Due from DBHDD	1,939,492	-	1,939,492
Other	<u>84,323</u>	<u>15,197</u>	<u>99,520</u>
Total Current Assets	\$ <u>7,187,323</u>	\$ <u>544,367</u>	\$ <u>7,731,690</u>
<b>Capital Assets</b>			
Capital Assets, Net of Accumulated Depreciation, Where Applicable:			
Building, Furniture, Equipment and Vehicles	\$ <u>7,592,749</u>	\$ <u>5,032,155</u>	\$ <u>12,624,904</u>
<b>Other Assets</b>			
Reserve Deposits	\$ <u>-</u>	\$ <u>86,641</u>	\$ <u>86,641</u>
Total Assets	\$ <u>14,780,072</u>	\$ <u>5,663,163</u>	\$ <u>20,443,235</u>
Deferred Outflows	\$ <u>42,277</u>	\$ <u>-</u>	\$ <u>42,277</u>
Total Assets and Deferred Outflows	\$ <u>14,822,349</u>	\$ <u>5,663,163</u>	\$ <u>20,485,512</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 3,518,120	\$ 18,378	\$ 3,536,498
Notes Payable	-	207,542	207,542
Leases Payable	179,305	-	179,305
Due to DBHDD	2,539,980	-	2,539,980
Compensated Absences	<u>387,290</u>	<u>-</u>	<u>387,290</u>
Total Current Liabilities	\$ <u>6,624,695</u>	\$ <u>225,920</u>	\$ <u>6,850,615</u>
<b>Non-Current Liabilities</b>			
Notes Payable	\$ -	\$ 4,605,188	\$ 4,605,188
Leases Payable	5,881,570	-	5,881,570
Security Deposits	-	2,500	2,500
Compensated Absences	123,369	-	123,369
Net Pension Liability	<u>705,429</u>	<u>-</u>	<u>705,429</u>
Total Non-Current Liabilities	\$ <u>6,710,368</u>	\$ <u>4,607,688</u>	\$ <u>11,318,056</u>
Total Liabilities	\$ <u>13,335,063</u>	\$ <u>4,833,608</u>	\$ <u>18,168,671</u>
Deferred Inflows	\$ <u>319,754</u>	\$ <u>-</u>	\$ <u>319,754</u>
Total Liabilities and Deferred Inflows	\$ <u>13,654,817</u>	\$ <u>4,833,608</u>	\$ <u>18,488,425</u>
<b>NET POSITION</b>			
Investment in Capital Assets	\$ 3,031,874	\$ 219,425	\$ 3,251,299
Unrestricted	( <u>1,864,342</u> )	<u>610,130</u>	( <u>1,254,212</u> )
Total Net Position	\$ <u>1,167,532</u>	\$ <u>829,555</u>	\$ <u>1,997,087</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES

STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2016

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities:</b>				
Gateway Behavioral Health Services	\$ 29,747,772	\$ 17,879,615	\$ 12,675,593	\$ 807,436
Distinctive Housing Solutions, Inc.	<u>678,709</u>	<u>730,265</u>	<u>-</u>	<u>51,556</u>
	<u>\$ 30,426,481</u>	<u>\$ 18,609,880</u>	<u>\$ 12,675,593</u>	
				Change in Net Position \$ 858,992
				Net Position - Beginning of Year 1,138,095
				Net Position - End of Year \$ <u>1,997,087</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

ASSETS	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>	<u>TOTAL</u>
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,735,213	\$ 513,956	\$ 2,249,169
Restricted Cash	1,500,000	2,500	1,502,500
Accounts Receivable	1,928,295	12,714	1,941,009
Due from DBHDD	1,939,492	-	1,939,492
Prepaid Expenses	32,497	15,197	47,694
Other	<u>51,826</u>	<u>86,641</u>	<u>138,467</u>
Total Current Assets	\$ <u>7,187,323</u>	\$ <u>631,008</u>	\$ <u>7,818,331</u>
<b>Total Assets</b>	<b>\$ <u>7,187,323</u></b>	<b>\$ <u>631,008</u></b>	<b>\$ <u>7,818,331</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 3,518,120	\$ 18,378	\$ 3,536,498
Due to DBHDD	2,539,980	-	2,539,980
Security Deposits	<u>-</u>	<u>2,500</u>	<u>2,500</u>
Total Current Liabilities	\$ <u>6,058,100</u>	\$ <u>20,878</u>	\$ <u>6,078,978</u>
<b>FUND BALANCE</b>			
Unassigned	\$ <u>1,129,223</u>	\$ <u>610,130</u>	\$ <u>1,739,353</u>
Total Fund Balance	\$ <u>1,129,223</u>	\$ <u>610,130</u>	\$ <u>1,739,353</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>7,187,323</u></b>	<b>\$ <u>631,008</u></b>	<b>\$ <u>7,818,331</u></b>

GATEWAY BEHAVIORAL HEALTH SERVICES  
BALANCE SHEET - GOVERNMENTAL FUNDS - CONTINUED

June 30, 2016

	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>	<u>TOTAL</u>
Amounts reported for Governmental Activities in the Statement of Net Position are different because:			
Fund Balance	\$ 1,129,223	\$ 610,130	\$ 1,739,353
Capital assets used in government activities are not financial resources and therefore, are not reported in the Governmental Fund.	7,592,749	5,032,155	12,624,904
Deferred outflows of resources are not due and payable in the current period and therefore, are not reported in the Governmental Funds.	42,277	-	42,277
Net pension liability is not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	( 705,429)	-	( 705,429)
Deferred inflows of resources are not financial resources and therefore, are not reported in the Governmental Funds.	( 319,754)	-	( 319,754)
Capitalized Lease payables are not due in the current period and, therefore, are not reported in the Governmental Funds	( 6,060,875)	-	( 6,060,875)
Notes payable are not financial resources and, therefore are not reported in the Governmental Funds.	-	( 4,812,730)	( 4,812,730)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the Government Funds.	( 510,659)	-	( 510,659)
Net Position of Governmental Activities	\$ <u>1,167,532</u>	\$ <u>829,555</u>	\$ <u>1,997,087</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2016

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>	
	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Department of Behavioral Health and Developmental Disabilities			
Grant-In-Aid	\$ 12,390,894	\$ -	\$ 12,390,894
Fee for Services	11,398	-	11,398
Other	69,124	-	69,124
Contracts	3,285,345	-	3,285,345
County Non-Participating	284,699	-	284,699
Outpatient Medicare Fees	470,148	-	470,148
Outpatient Medicaid Fees	2,542,431	-	2,542,431
Medicaid - Pharmacy	827,216	-	827,216
Client Fees	830,577	-	830,577
MRDS Work Activity	41,731	-	41,731
Other Fees	178,212	-	178,212
Other Local Funds	11,038	-	11,038
Private Insurance	367,559	-	367,559
MR Waiver	7,551,920	-	7,551,920
Contracts	591,476	-	591,476
Other Federal Funds	1,101,440	-	1,101,440
Rental Revenue	-	725,806	725,806
Other Revenue	-	4,459	4,459
<b>TOTAL REVENUES</b>	<b>\$ 30,555,208</b>	<b>\$ 730,265</b>	<b>\$ 31,285,473</b>
<b>EXPENDITURES</b>			
Personal Service Costs:			
Salaries and Hourly Wages	\$ 5,803,131	\$ -	\$ 5,803,131
Fringe Benefits	3,628,044	-	3,628,044
Contract Labor and Services	12,634,339	-	12,634,339
Total Personal Service Costs	\$ 22,065,514	\$ -	\$ 22,065,514
Other Expenses:			
Equipment	\$ 514,993	\$ -	\$ 514,993
Motor Vehicle Expense	509,383	-	509,383
Supplies and Materials	390,532	-	390,532
Food Supplies	405,462	-	405,462
Insurance and Bonding	34,294	68,611	102,905
Pharmaceuticals	781,668	-	781,668
Repairs and Maintenance	289,847	128,298	418,145
Utilities	489,373	33,352	522,725
Printing	32,560	-	32,560
Travel	70,019	-	70,019
Rent	985,448	-	985,448
Contracts	22,557	120,876	143,433
Telecommunications	476,814	580	477,394
Training	88,350	-	88,350
Computer Software	427,783	-	427,783
Postage	11,028	-	11,028
Personal Allowance	1,600	-	1,600
Direct Client Benefits	1,101,682	-	1,101,682
Per Diem	87,881	-	87,881
Interest Expense	259,140	64,790	323,930
Other Operating Expenditures	843,263	29,628	872,891
<b>TOTAL EXPENDITURES</b>	<b>\$ 29,889,191</b>	<b>\$ 446,135</b>	<b>\$ 30,335,326</b>

GATEWAY BEHAVIORAL HEALTH SERVICES

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS - CONTINUED

For The Fiscal Year Ended June 30, 2016

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>	
	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>	<u>TOTAL</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>666,017</u>	\$ <u>284,130</u>	\$ <u>950,147</u>
OTHER FINANCING SOURCES (USES)			
Bond Refunding	\$ 6,090,000	\$ -	\$ 6,090,000
Principal Payments	( <u>4,492,311</u> )	( <u>255,900</u> )	( <u>4,748,211</u> )
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>1,597,689</u>	\$ ( <u>255,900</u> )	\$ <u>1,341,789</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	\$ 2,263,706	\$ 28,230	\$ 2,291,936
FUND BALANCE - BEGINNING OF THE YEAR	( <u>1,134,483</u> )	<u>581,900</u>	( <u>552,583</u> )
FUND BALANCE - END OF THE YEAR	\$ <u>1,129,223</u>	\$ <u>610,130</u>	\$ <u>1,739,353</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GATEWAY BEHAVIORAL HEALTH SERVICES  
STATEMENT OF CHANGES IN COMBINED FUND BALANCES  
For The Fiscal Year Ended June 30, 2016

	<u>UNASSIGNED FUND</u>		
	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS, INC.</u>	<u>TOTAL</u>
FUND BALANCES - JULY 1, 2015	\$ ( 1,134,483 )	\$ 581,900	\$ ( 552,583 )
ADDITIONS:			
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>2,263,706</u>	<u>28,230</u>	<u>2,291,936</u>
TOTAL FUND BALANCES AND ADDITIONS	\$ <u>1,129,223</u>	\$ <u>610,130</u>	\$ <u>1,739,353</u>
FUND BALANCES - JUNE 30, 2016	\$ <u>1,129,223</u>	\$ <u>610,130</u>	\$ <u>1,739,353</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



GATEWAY BEHAVIORAL HEALTH SERVICES

RECONCILIATION OF THE STATEMENT OF REVENUES  
AND EXPENDITURES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2016

	<u>GATEWAY BEHAVIORAL HEALTH SERVICES</u>	<u>DISTINCTIVE HOUSING SOLUTIONS INC.</u>
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Net change in fund balances	\$ 2,263,706	\$ 28,230
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. These amounts are detailed as follows:</p>		
Capital Outlay	295,735	-
Depreciation	( 374,657)	( 232,574)
<p>Capital Lease principal payments are not due and payable in the current period and, therefore, are not reported as expenses in Governmental Funds. Capital Lease proceeds are not financial resources and are not reported as revenue in the Statement of Activities. These amounts are detailed as follows:</p>		
Bond Refunding	( 6,090,000)	-
Principal Payments	4,492,311	255,900
<p>Pension expenses reported in the Statement of Activities do not require the uses of current financial resources and, therefore are not reported as expenditures in Governmental Funds.</p>		
	170,634	-
<p>Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in Governmental Funds.</p>		
	<u>49,707</u>	<u>-</u>
Change in Net Position of Governmental Activities	\$ <u>807,436</u>	\$ <u>51,556</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## GATEWAY BEHAVIORAL HEALTH SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Summary of Significant Account Policies is presented to assist the reader in interpreting the financial statements. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the Community Service Board conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB) or, where applicable, the Financial Accounting Standards Board (FASB).

The accounting policies of Gateway Behavioral Health Services are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Effective July 1, 2015, Gateway Behavioral Health Services adopted the following GASB Statements:

GASB Statement No. 72, Fair Value Measurement and Application (GASB 72) requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques and expands fair value disclosures. The requirements of GASB 72 are effective for fiscal year 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB 73) establishes requirements for defined-benefit pensions and defined-contribution pensions not administered through a trust meeting specified criteria, i.e., those not covered by Statements 67 and 68. The requirements of GASB 73 are effective for fiscal year 2016, for assets accumulated for purposes of providing pensions through defined-benefit pension plans.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB 76) - The GAAP Hierarchy prioritizes guidance governments follow when preparing GAAP financial statements; the standard reduces authoritative GAAP Hierarchy to two categories from four. The requirements of GASB 76 are effective for fiscal year 2016.

The following GASB Statements became effective July 1, 2016:

GASB Statement No. 80 Blending Requirements for Certain Component Units - and amendment to GASB Statement No. 14 (GASB 80) was issued to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The statement amends the blending requirements established in paragraph 53 of Statement No. 14, the financial reporting entity, as amended. The requirements of GASB 80 are effective for fiscal year 2017. There should be no effect on the Community Service Board's financial statements.

## GATEWAY BEHAVIORAL HEALTH SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 81 Irrevocable Split-Interest Agreements (GASB 81) was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of GASB 81 are effective for fiscal year 2017. There should be no effect on the Community Service Board's financial statements.

GASB Statement No. 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68 and No. 73 (GASB 82) was issued to address certain issues raised with respect to Statements No. 67, No. 68 and No. 73 regarding the presentation of payroll-related measures in the required supplementary information, the selection of assumptions and the treatment of deviations from guidance in an Actuarial Standard of Practice for financial reporting and the classification of payments made by employers to satisfy employee(plan member) contribution requirements. The requirements of GASB 80 are effective for fiscal year 2017. The Community Service Board is currently evaluating the impact that GASB 82 may have on its financial statements.

#### REPORTING ENTITY

As a result of legislation passed by the Georgia General Assembly known as House Bill 100, responsibility for most Mental Health, Developmental Disabilities and Addictive Disease were transferred from County Boards of Health to Community Service Boards as of July 1, 1994. A closeout process was followed and upon Georgia Department Human Resources' approval, assets and the related fund balances were transferred from the Board of Health to the successor agency. These financial statements report only the financial activities of Gateway Behavioral Health Services. The Board does not exercise any authority over any other entity which would require inclusion in these financial statements as required by GASB 14, the financial reporting entity.

#### GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Agency. Governmental activities are normally supported by client fees and grant-in-aid from the Georgia Department of Behavioral Health and Developmental Disabilities (DBHDD).

The Statement of Activities reports the expenses of a given function or activity and are offset by program revenues. Direct expenses are those that are clearly identifiable to activities within a specific function or identifiable program. Program revenues include 1.) Charges to clients for services provided by the Agency, and 2.) Grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable program as specified by DBHDD and other granting agencies. Intra/Inter agency revenues and expenses are not reflected in the Statement of Activities.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## GATEWAY BEHAVIORAL HEALTH SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded as expenditures only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

#### BASIS OF PRESENTATION

The financial transactions of the Community Service Board are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

GASB Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Community Service Board electively added funds, as major funds, which either had debt outstanding or specific community focus. The non-major governmental funds are combined in a single column in the fund financial statements. The Community Service Board has no non-major governmental funds.

#### Governmental Funds

The measurement focus of the Governmental Funds (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major Governmental Funds of the Community Service Board:

- The General Fund accounts for all of the Community Service Board's services and is the primary operating unit of the Community Service Board.

#### BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are presented on an accrual basis of accounting. The Governmental Funds in the fund financial statements are presented on a modified accrual basis.