

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrual

Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

Under the modified basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the following 3 months. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt and compensated absences, if any, are recognized when due.

FUND BALANCES

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Community Service Board's highest level of decision-making authority, the Community Service Board. A formal resolution of the Community Service Board is required to establish, modify, or rescind a fund balance commitment. The Community Service Board reports assigned fund balance for amounts that are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual amount remaining that does not meet any other criterion.

When the Community Service Board incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Community Service Board's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

NET POSITION - Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Community Service Board has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Community Service Board applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position is available.

Gateway Behavioral Health Services has no proprietary or fiduciary funds.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DEFERRED OUTFLOW/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Community Service Board has two types of items that qualify for reporting in this category; (1) it is the change in proportion and differences between employer contributions and proportionate share of contributions for pensions and, (2) the Community Service Board's contributions subsequent to the measurement date. These amounts are deferred and will be recognized as an outflow in the applicable period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The Community Service Board has one type of item that qualifies for reporting in this category; the net difference between projected and actual earnings on pension plan investments. This amount is deferred and will be recognized as an inflow of resources in the period in which the amount becomes available.

CAPITAL ASSETS AND DEPRECIATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS
Capital assets are recorded as follows for the Statement of Net Position and Statement of Activities:

The Community Service Board's capital assets with useful lives of more than one year are stated at historical cost. Donated assets are stated at fair value on the date of the donation. The Community Service Board capitalizes all assets with a cost of \$5,000 or more as purchased. The cost of normal repairs and maintenance that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	15-20
Furniture and Other Equipment	5
Vehicles	5

COMPENSATED ABSENCES - Effective June 4, 2015, Gateway's policy was changed to:

Paid Time Off (PTO)

1. Paid Time Off is earned on a semi-monthly basis by salaried employees in permanent, working test or provisional status.
2. A full time employee will earn one-half of their monthly PTO at the end of each pay period if the employee works forty (40) hours or more in each pay period.
3. PTO is accrued and carried over at the following rates:
 - a. 0-35 months inclusive.....10 hours at end of each month; 40 hours carried over at year end.
 - b. 36-59 months inclusive.....12 hours at the end of each month; 80 hours carried over at year end.
 - c. 60 months and over.....14 hours at end of each month; 120 hours carried over at year end.The sick leave balances of staff hired prior to September 1, 2010 will be available for use under the terms of Family and Medical Leave.
4. Eligible employees begin accruing PTO at the appropriate increased rate on the first day of the month following the completion of the required months of service.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Part-time hourly employees are not eligible to earn leave.
6. A full-time employee in pay status for less than forty (40) hours during a pay period earns no PTO for that pay period.
7. PTO is not earned by employees on emergency, hourly, temporary, or intermittent appointments.
8. PTO may accumulate to a total of 480 hours (60 work days).
9. Any PTO earned in excess of 480 hours will be forfeited.

Family Medical Leave

1. Eligible employees may take medical leave time as provided by the Family and Medical Leave Act of 1993 and in conjunction with Gateway policies.
2. Family and Medical Leave is available to employees who:
 - a. Have been employed for at least (1) year; and
 - b. Have worked at least 1,250 hours of service during the twelve (12) month period that precedes the leave.
3. Eligible employees are entitled to twelve (12) weeks of Family and Medical Leave during any twelve (12) month period for the following reasons:
 - a. The birth of a child of the employee;
 - b. The placement of a child with the employee for adoption or foster care;
 - c. Care of the employee's child, spouse or parent who has a serious health condition; or
 - d. A serious health condition which makes the employee unable to perform the essential functions of the employee's position.
 - e. Eligible employee with a spouse, son, daughter, parent on covered active duty or call to active duty status of an Armed Service member or Armed Service reservist.
4. The twelve (12) month period leave year is a "rolling" twelve (12) month period measured backwards from the date leave is to begin.

Compensated absences are accrued and recorded as a liability on the government-wide financial statements. The annual change in the liability is reflected in the Statement of Activities.

PENSIONS - For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employee's Retirement System of Georgia (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LEGAL COMPLIANCE - BUDGETARY RESTRICTIONS - Budgets are developed annually as part of the grant agreements. Provisions are made for revision of the budgets during the fiscal year. The budgeted amounts shown in the accompanying statements reflect the original and final revised budgets for each grant. All budgets are prepared on the modified accrual basis of accounting.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from these estimates.

Certain significant estimates in this financial statement include:

- The collectability of consumer receivables.
- Medicaid revenue and receivables.
- Depreciation expense on Agency owned assets.
- Current portion of compensated absences payable.

OPERATING LEASES - The Center leases its facilities under operating leases. The leases are generally for the fiscal year and must be approved at the beginning of each individual year. Rent expense was \$985,448 for the year ended June 30, 2016.

CONTINGENCIES - The Center's nature of business is such that it ordinarily results in a certain amount of litigation. In the opinion of management for the Center, there is no litigation in which the outcome will have a material effect on the financial statements.

RISK MANAGEMENT - All equipment, furniture and fixtures and vehicles held by Gateway Behavioral Health Services are insured through the Georgia Department of Behavioral Health and Developmental Disabilities. The Center is exposed to various risk of loss related to torts; theft or damage to and destruction of assets; errors and omissions; natural disasters; and worker injuries for which the Center carries insurance through the Georgia Department of Administrative Services. The insurance provides for the transfer of risk from the Center for all major programs. The Center's risk is constituted by a maximum \$500 deductible for each occurrence. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts did not exceed insurance coverage for the current year.

NOTE 2 - DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2016, are summarized as follows:

As reported in the Statement of Net Position:

Cash and cash equivalents	\$ 1,735,213
Cash - Restricted (See Note 7)	<u>1,500,000</u>
	\$ <u>3,235,213</u>
Cash deposited with financial institutions	\$ <u>3,230,404</u>

Interest rate risk. The Community Service Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2016, the Community Service Board did not have any balances exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable of \$1,928,295 consists of client fees, private-pay insurance, Medicaid, Medicare, and other contracts.

NOTE 4 - DUE TO/ FROM DBHDD

The Center has accounts receivable from and accounts payable to the Georgia Department of Behavioral Health and Developmental Disabilities as follows:

Program Number	Program Summary	<u>Due From</u>	<u>Due To</u>
#441-93-1635006			
100	Mental Health Services - Adult	\$ 1,245,436	\$ 498,553
200	Mental Health Services - Children	250,000	135,000
602	HIV Early Intervention	6,995	6,995
700	Substance Abuse Services - Adult	167,791	167,791
#441-93-1635001			
400	Mental Retardation Services	\$ 63,408	\$ 71,302
502	Special Appropriations - MR	40,318	40,318
#441-93-1635AAW			
619	Ready for Work - Outpatient - SSBG	\$ 37,800	\$ 32,076
624	Ready for Work - Residential - SAPT	22,244	12,012
625	Ready for Work - Residential - TANF	66,000	42,768
630	Ready for Work - Transitional Housing	4,300	4,158
632	Ready for Work - Residential - SSBG	<u>35,200</u>	<u>19,008</u>
	Subtotal	\$ <u>1,939,492</u>	\$ <u>1,029,981</u>
	Special Advances Payable	\$ <u>-</u>	\$ <u>1,509,999</u>
	TOTAL	\$ <u>1,939,492</u>	\$ <u>2,539,980</u>

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions &</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Equipment, Furniture and Fixtures	\$ 539,271	\$ 18,734	\$ -	\$ 558,005
Land and Buildings	9,079,306	277,001	-	9,356,307
Vehicles	<u>644,841</u>	<u>-</u>	<u>-</u>	<u>644,841</u>
	\$ 10,263,418	\$ 295,735	\$ -	\$ 10,559,153
Accumulated Depreciation	(<u>2,591,747</u>)	(<u>374,657</u>)	(<u>-</u>)	(<u>2,966,404</u>)
Governmental Activities Capital Assets, Net	\$ <u>7,671,671</u>	\$ (<u>78,922</u>)	\$ <u>-</u>	\$ <u>7,592,749</u>

NOTE 6 - NOTES PAYABLE

The following Notes Payable represents mortgages on various buildings owned by Distinctive Housing Solutions, Inc.:

Mortgages:

	<u>CURRENT</u>	<u>LONG-TERM</u>	<u>RATE</u>	<u>MONTHLY</u> <u>PAYMENT</u>	<u>COLLATERAL</u>
BB&T	\$ 180,785	\$ 1,239,569	3.76%	\$ 19,203.89	Real Property
Georgia Housing and Finance Authority	19,257	3,264,369	0.00%	Varies	Real Property
State Housing Trust Fund	<u>7,500</u>	<u>101,250</u>	0.00%	\$ 625.00	Real Property
	\$ <u>207,542</u>	\$ <u>4,605,188</u>			

The long-term debt matures as follows:

June 30, 2017	\$ 207,542
2018	213,765
2019	220,919
2020	228,271
2021	236,055
Thereafter	<u>3,706,178</u>
	\$ <u>4,812,730</u>

Interest paid for FY2016 was \$64,790.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - CAPITAL LEASES

On December 10, 2010 the Brunswick and Glynn County Development Authority (Authority), Glynn County, Georgia, and Gateway Behavioral Health Services (Gateway) entered into an Intergovernmental Lease Agreement. The purpose of the agreement was the issuance of revenue bonds in the amount of \$5,300,000 to be used to finance the acquisition, construction, and equipping of a building project for Gateway Behavioral Health Services.

On the same date, Gateway entered into a rental agreement with Glynn County, Georgia (County) for the above project. The terms of the lease are as follows:

The lease shall commence on the date of execution and terminate at midnight on December 31, 2031, or if all payments required by the rental agreement have not been made on such date, when all payments have been made.

The agreement shall not last longer than 40 (forty) years.

On April 1, 2016, The Authority redeemed the Series 2010 Bonds and refunded \$6,090,000 with Series 2016 Bonds.

\$1,500,000 was deposited with The Bank of New York Mellon Trust Company, N.A. Gateway Behavioral Health Services will draw down these funds to finance additional building project costs.

Upon Gateway's payment of all base rentals and additional rent for the lease term and all amounts due, the trustee under the indenture, the County, shall direct the Transfer of the property to Gateway. Lease payments of principal and interest are as follows:

June 30, 2017	\$	400,171
2018		401,350
2019		402,400
2020		402,325
2021		401,825
Thereafter		<u>6,878,155</u>
	\$	8,886,226
Less:		
Amount Representing		
Interest	(<u>2,825,351</u>)
Present Value of		
Minimum Lease		
Payments	\$	<u>6,060,875</u>

Maturities of principal payments are as follows:

June 30, 2017	\$	179,305
2018		187,231
2019		195,329
2020		202,421
2021		210,009
Thereafter		<u>5,086,580</u>
	\$	<u>6,060,875</u>

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - CAPITAL LEASES - CONTINUED

Amounts capitalized based on the terms of the lease are as follows:

The interest rate is 3.70%.

Land	\$	711,301
Building		3,833,235
Furniture and Equipment		<u>327,164</u>
	\$	<u>4,871,700</u>

NOTE 8 - COMPENSATED ABSENCES

At termination, employees are paid for any accumulated annual leave. The liability for accumulated annual leave at June 30, 2016 is estimated by management to be \$510,659. This amount includes \$36,289 for tax liabilities related to the accrued leave.

The following is a schedule of changes in annual leave for the fiscal year ending June 30, 2016:

<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
\$ <u>560,366</u>	\$ <u> -</u>	\$ <u>49,707</u>	\$ <u>510,659</u>

Forfeited leave is accumulated and according to certain provisions can be utilized for extended major illnesses and retirement. No sick leave is paid upon employee termination.

NOTE 9 - 401(A) PLAN

Effective December 31, 2010, Gateway withdrew from the Peach State Reserves 401(k) and 457 Plans. Effective January 1, 2011 a 401(a) and a 457 Plan was established with The Hartford Insurance Trust, and was then moved to Mass Mutual Life Insurance Company effective July 1, 2014. Employee balances were rolled into the new 401(a) Plan. Agency contributions are a dollar for dollar match up to 7.5% of annual salary. Employees received personalized consultation from Jacobs, Coolidge & Company, LLC. The Vesting schedule is as follows:

2 years - 20%	5 years - 80%
3 years - 40%	6 years - 100%
4 years - 60%	

The employees of the Agency, who were employed before July 1, 1994, participate in the Georgia State Employee Retirement System. The Plan is administered by the State of Georgia, and accumulated benefits and Plan assets are not determined or allocated to the individual participating governmental entities.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - 401(A) PLAN - CONTINUED

The Center maintains through Mass Mutual Life Insurance Company a qualified trust deferred compensation plan under sections 401(a) and 401(b) of the Internal Revenue Code for all employees, and who are not eligible for the Georgia State Employee Retirement System plan. Under the plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. The Center matches employee contributions up to 7.5%.

The retirement contributions, for the year ended June 30, 2016 were \$132,745 based on salaries of \$2,367,102. Contributions in the 401(k), 401(a), and 401(b) plans are fully vested to employees after six (6) years of continuous service.

NOTE 10- EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

Plan Description

The Employees' Retirement System (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov.

Benefits Provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, post-retirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10- EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - CONTINUED

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Community Service Board's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members.

The retirement contributions, under the Georgia State Employee Retirement System Plan, for the year ended June 30, 2016 were \$80,792, based on salaries of \$326,839. Contributions in the Georgia State Employee Retirement System Plan are fully vested to employees after ten (10) years of continuous service.

GASB 68

The following schedules reflect GASB Statement No. 68 reporting information:

Contributions made during the measurement period (fiscal year ended June 30, 2015): \$ 87,424

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

Employer's proportionate share of net pension liability	\$	705,429
Employer's proportion of net pension liability		0.017412%
Increase/(Decrease) from proportion measured as of June 30, 2014		(0.009402%)
Employer's recognized pension expense	\$ (89,842)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,636
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	50,898
Changes in proportion and differences between Employer contributions and proportionate share of contributions	224	263,220
Employer contributions subsequent to the measurement date	42,053	-
Total	\$ <u>42,277</u>	\$ <u>319,754</u>

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10- EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$(201,700)
2018	(112,305)
2019	(22,686)
2020	17,161
2021	0
Thereafter	0

Actuarial Assumptions

The total pension liability as of June 30, 2015, was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	5.45-9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the period after service retirement, for dependent beneficiaries, and for deaths in active services, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004-June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate

The discount rate used to measure the collective total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10- EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - CONTINUED

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net liability	\$ 999,972	\$ 705,429	\$ 454,321

Additional Information

	June 30, 2014	June 30, 2015
Collective deferred outflows of resources	-	-
Collective deferred inflows of resources	915,411,000	324,685,000
Collective net pension liability	3,750,618,000	4,051,398,000
Employer's Portion	0.026814%	0.017412%

Collective pension expense for the measurement period ended June 30, 2015:	212,141,000
The average of the expected remaining service:	2.50

Proportionate Share

	June 30, 2014	June 30, 2015	Change in Proportionate Share of Debit Credit Balances	
Deferred outflows of resources	-	-	-	-
Deferred inflows of resources	245,458	56,534	-	(188,924)
Net pension liability	1,005,691	705,429	-	(300,262)
Proportionate share of collective pension expense:			\$	36,938

	Collective Amount @ June 30, 2014	Proportionate Share @ 0.026814%	Proportionate Share @ 0.017412%	Change in Proportionate Share of Debit Credit Balances	
Deferred outflows of resources	-	-	-	-	-
Deferred inflows of resources	915,411,000	245,458	159,391	-	(86,067)
Net pension liability	3,750,618,000	1,005,691	653,058	-	(352,633)
Total of changes in the Employer's beginning reported balances					(438,700)

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10- EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - CONTINUED

Amount to be recognized for the net effect of the change in the Employer's proportion on beginning reported balances	(438,700)	
Total of amounts recognized for the change in the Employer's proportion	(438,700)	(438,700)

	Deferred Inflows of Resources	Pension Expense
Change in proportion	263,220	(175,480)
Contributions during the measurement period	-	-
Net amount recognized	263,220	(175,480)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees' Retirement Systems of Georgia Financial Report which is publically available at www.ers.ga.gov.

NOTE 11- RELATED PARTY TRANSACTIONS

Distinctive Housing Solutions, Inc. (a component unit) was established for the purpose of improving the quality of life for low-income persons with behavioral health and developmental disabilities by developing and maintaining affordable housing that promotes individual and economic self-sufficiency.

NOTE 12- OPERATIONAL CONTROL

On July 18, 2013, in concurrence with the Governor of the State of Georgia, the Commissioner of the Georgia Department of Behavioral Health and Developmental Disabilities (DBHDD) executed the statutory authority provided to DBHDD in O.C.G.A. 37-2-10 to appoint a Manager to oversee the operations of Gateway Behavioral Health Services (Gateway). The Board of Gateway was informed that DBHDD had numerous indications that Gateway's ability to provide contracted services was compromised, placing disability services to local consumers in jeopardy. Specific evidence of concern was produced in the initial letter to the Board Chair, referencing lack of cash on hand, significant debt and delayed payment to creditors, as well as a pattern of failure to keep proper fiscal records and maintain control over its assets.

The manager was directed to utilize the appropriate measures within the scope of the statutory authority and report to the Commissioner weekly in conducting an assessment of Gateway's status during a 60-day period.

During the assessment period, the manager identified specific barriers to completion of the assessment. As was in the manager's scope of the statutory authority, it was recommended that the CEO be terminated from her position, and the manager also requested the Board Chair's resignation. When the Board Chair refused to resign, the Commissioner informed the Chair that his participation on the Board was terminated. In addition, the manager contracted with new legal counsel to represent Gateway to assure adherence to statutory language and intent regarding the role, purpose, and function of a Community Service Board.

GATEWAY BEHAVIORAL HEALTH SERVICES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12- OPERATIONAL CONTROL - CONTINUED

The manager has been kept in place since the distribution of his report in order to provide oversight to the operational changes needed and in order to facilitate financial stability. Major changes initiated were as follows:

- Closed the Gateway Employment and Manufacturing, Inc. facility and operations of such corporation in October 2013.
- Many of the subsidiary corporations created by prior Administration were closed/dissolved, leaving Gateway with only one active subsidiary, Distinctive Housing Solutions, Inc., which is a 501(c)(3) corporation.
- Implemented a new Electronic Health Record system called CareLogic, in January 2014, which is a behavioral health specific system. The system continues to facilitate accurate billing of services and improved collection results.
- Focus has been placed on productivity, and employees are being held accountable to meeting these expectations per policy.
- DBHDD launched a national search for a permanent Chief Executive Officer.

DBHDD has announced that a permanent Chief Executive Officer for Gateway Behavioral Health Services has been selected and was in place effective November 16, 2015. No movement has yet been made to reconstitute the Gateway Board of Directors.

NOTE 13- CONTINGENCIES

Two contract disputes exist between Gateway Behavioral Health Services (Gateway) and two former employees of Gateway, each claiming approximately \$400,000 in retirement, leave, and other benefits. A hearing for the first case was first heard in trial court in December 2014, where a ruling in favor of the former employee was issued, but in October 2016 this decision was overturned by the Court of Appeals. Gateway has motioned for a new trial which is scheduled for December 2016. At this time, the likelihood of an unfavorable outcome cannot be evaluated.

The second employee claim has not advanced to litigation. At this time, the likelihood of an unfavorable outcome or the range of potential loss or recovery cannot be evaluated.

NOTE 14- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 20, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GATEWAY BEHAVIORAL HEALTH SERVICES

MENTAL HEALTH SERVICES - ADULT - 100

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ 5,963,847	\$ 6,730,347	\$ 6,711,597	\$ (18,750)
Contracts	-	-	150,678	150,678
Other	-	-	14,312	14,312
County Non-Participating	-	-	86,318	86,318
Outpatient Medicare Fees	-	-	449,606	449,606
Outpatient Medicaid Fees	-	-	965,722	965,722
Client Fees	-	-	198,540	198,540
Private Insurance	-	-	254,700	254,700
Other Fees	-	-	113,544	113,544
TOTAL REVENUES	\$ 5,963,847	\$ 6,730,347	\$ 8,945,017	\$ 2,214,670
EXPENDITURES				
Personal Service Costs	\$ -	\$ -	\$ 2,940,490	\$ 2,940,490
Contract Labor	-	-	3,377,256	3,377,256
Pharmacy	-	-	1,173	1,173
Other Operating Expenditures	5,963,847	6,730,347	2,203,179	(4,527,168)
TOTAL EXPENDITURES	\$ 5,963,847	\$ 6,730,347	\$ 8,522,098	\$ 1,791,751
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)				
	\$ -	\$ -	\$ 422,919	\$ 422,919

GATEWAY BEHAVIORAL HEALTH SERVICES

MENTAL HEALTH SERVICES - CHILDREN - 200

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Fee for Services	-	-	10,186	10,186
Other	-	-	16,311	16,311
County Non-Participating	-	-	11,973	11,973
Outpatient Medicaid Fees	-	-	626,117	626,117
Client Fees	-	-	20,310	20,310
Private Insurance	-	-	72,069	72,069
Other Fees	-	-	43	43
Contracts	-	-	8,750	8,750
TOTAL REVENUES	\$ 1,500,000	\$ 1,500,000	\$ 2,265,759	\$ 765,759
EXPENDITURES				
Personal Service Costs	\$ -	\$ -	\$ 873,353	\$ 873,353
Contract Labor	-	-	813,611	813,611
Other Operating Expenditures	1,500,000	1,500,000	528,093	(971,907)
TOTAL EXPENDITURES	\$ 1,500,000	\$ 1,500,000	\$ 2,215,057	\$ 715,057
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)				
	\$ -	\$ -	\$ 50,702	\$ 50,702

GATEWAY BEHAVIORAL HEALTH SERVICES

MENTAL RETARDATION SERVICES - 400

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ 792,244	\$ 804,544	\$ 545,335	\$ (259,209)
Other	-	-	85,408	85,408
County Non-Participating	-	-	70,958	70,958
Contributions	-	-	7,096	7,096
MRDS Work Activity	-	-	54,529	54,529
Medicaid Waiver	-	-	7,546,102	7,546,102
Client Fees	-	-	381,604	381,604
Other Fees	-	-	8,483	8,483
TOTAL REVENUES	\$ <u>792,244</u>	\$ <u>804,544</u>	\$ <u>8,699,515</u>	\$ <u>7,894,971</u>
EXPENDITURES				
Personal Service Costs	\$ -	\$ -	\$ 1,145,123	\$ 1,145,123
Contract Labor	-	-	4,260,508	4,260,508
Pharmacy	-	-	42	42
Other Operating Expenditures	<u>792,244</u>	<u>804,544</u>	<u>2,477,632</u>	<u>1,673,088</u>
TOTAL EXPENDITURES	\$ <u>792,244</u>	\$ <u>804,544</u>	\$ <u>7,883,305</u>	\$ <u>7,078,761</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)				
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>816,210</u>	\$ <u>816,210</u>

GATEWAY BEHAVIORAL HEALTH SERVICES

SPECIAL APPROPRIATION - MR - 502

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ <u>483,519</u>	\$ <u>483,519</u>	\$ <u>483,519</u>	\$ _____
EXPENDITURES				
Personal Services	\$ <u>483,519</u>	\$ <u>483,519</u>	\$ <u>483,519</u>	\$ _____
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	\$ _____	\$ _____	\$ _____	\$ _____

GATEWAY BEHAVIORAL HEALTH SERVICES

HIV EARLY INTERVENTION - 602

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ <u>83,940</u>	\$ <u>83,940</u>	\$ <u>83,940</u>	\$ <u>-</u>
EXPENDITURES				
Personal Service Costs	\$ 52,500	\$ 52,500	\$ 56,417	\$ 3,917
Contract Labor	-	-	5,915	5,915
Other Operating Expenditures	<u>31,440</u>	<u>31,440</u>	<u>22,875</u>	(<u>8,565</u>)
TOTAL EXPENDITURES	\$ <u>83,940</u>	\$ <u>83,940</u>	\$ <u>85,207</u>	\$ <u>1,267</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)				
	\$ <u>-</u>	\$ <u>-</u>	\$ (<u>1,267</u>)	\$ (<u>1,267</u>)

GATEWAY BEHAVIORAL HEALTH SERVICES
 READY FOR WORK - OUTPATIENT - SSBG - 619

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ 356,400	\$ 356,400	\$ 235,710	\$ (120,690)
County Participating	-	-	7,855	7,855
Medicaid Fees	-	-	10,798	10,798
Medicare Fees	-	-	245	245
Contracts	<u>-</u>	<u>-</u>	<u>5,698</u>	<u>5,698</u>
TOTAL REVENUES	\$ <u>356,400</u>	\$ <u>356,400</u>	\$ <u>260,306</u>	\$ (<u>96,094</u>)
EXPENDITURES				
Personal Service Costs	\$ -	\$ -	\$ 143,743	\$ 143,743
Contract Labor	-	-	133,152	133,152
Other Operating Expenditures	<u>356,400</u>	<u>356,400</u>	<u>135,459</u>	(<u>220,941</u>)
TOTAL EXPENDITURES	\$ <u>356,400</u>	\$ <u>356,400</u>	\$ <u>412,354</u>	\$ <u>55,954</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)				
	\$ <u>-</u>	\$ <u>-</u>	\$ (<u>152,048</u>)	\$ (<u>152,048</u>)

GATEWAY BEHAVIORAL HEALTH SERVICES

READY FOR WORK - RESIDENTIAL - SAPTBG - 624

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ 133,464	\$ 133,464	\$ 124,664	\$ (8,800)
Contracts	-	-	512	512
County Participating	-	-	3,087	3,087
Contributions	-	-	189	189
Client Fees	-	-	56	56
Private Insurance	-	-	3	3
Contracts	-	-	<u>2,195</u>	<u>2,195</u>
TOTAL REVENUES	\$ <u>133,464</u>	\$ <u>133,464</u>	\$ <u>130,706</u>	\$ (<u>2,758</u>)
EXPENDITURES				
Personal Service Costs	\$ -	\$ -	\$ 3,992	\$ 3,992
Contact Labor	-	-	71,037	71,037
Other Operating Expenditures	<u>133,464</u>	<u>133,464</u>	<u>60,229</u>	(<u>73,235</u>)
TOTAL EXPENDITURES	\$ <u>133,464</u>	\$ <u>133,464</u>	\$ <u>135,258</u>	\$ <u>1,794</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)				
	\$ <u>-</u>	\$ <u>-</u>	\$ (<u>4,552</u>)	\$ (<u>4,552</u>)

GATEWAY BEHAVIORAL HEALTH SERVICES

READY FOR WORK - RESIDENTIAL - TANF - 625

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ 475,200	\$ 475,200	\$ 457,600	\$ (17,600)
Contracts	-	-	2,096	2,096
County Participating	-	-	12,646	12,646
Local Contributions	-	-	365	365
Medicaid Fees	-	-	505	505
Client Fees	-	-	629	629
Private Insurance	-	-	248	248
Contracts	<u>-</u>	<u>-</u>	<u>23,797</u>	<u>23,797</u>
TOTAL REVENUES	\$ <u>475,200</u>	\$ <u>475,200</u>	\$ <u>497,886</u>	\$ <u>22,686</u>
EXPENDITURES				
Contact Labor	\$ -	\$ -	\$ 203,409	\$ 203,409
Other Operating Expenditures	<u>475,200</u>	<u>475,200</u>	<u>137,949</u>	(<u>337,251</u>)
TOTAL EXPENDITURES	\$ <u>475,200</u>	\$ <u>475,200</u>	\$ <u>341,358</u>	\$ (<u>133,842</u>)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)				
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>156,528</u>	\$ <u>156,528</u>

GATEWAY BEHAVIORAL HEALTH SERVICES

READY FOR WORK - TRANSITIONAL HOUSING - 630

COMPARATIVE STATEMENT OF ACTUAL REVENUES AND EXPENDITURES TO BUDGET

For The Fiscal Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Department of Behavioral Health and Developmental Disabilities				
Grant-In-Aid	\$ <u>46,200</u>	\$ <u>46,200</u>	\$ <u>46,200</u>	\$ <u> -</u>
EXPENDITURES				
Other Operating Expenditures	\$ <u>46,200</u>	\$ <u>46,200</u>	\$ <u>40,451</u>	\$ (<u>5,749</u>)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	\$ <u> -</u>	\$ <u> -</u>	\$ <u>5,749</u>	\$ <u>5,749</u>