



Dave Yost • Auditor of State



**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mental Health and Recovery Services Board  
Of Allen, Auglaize and Hardin Counties  
Allen County  
529 South Elizabeth Street  
Lima, Ohio 45804

To the Members of the Governing Board:

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

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, Ohio (the Board), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the respective budgetary comparison for the General and Mental Health Community of Care funds 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***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents 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 not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2017, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



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

August 11, 2017

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

As management of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties (the Board), we are providing this overview of the Board's financial activities for the year ended June 30, 2016. Please read this overview in conjunction with the Board's basic financial statements, which follow.

The Board is included within the Allen County Annual Financial Report as an agency fund. The Board uses its general fund to report its financial position and results of operations. We believe these financial statements present all activities for which the Board is financially responsible.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended June 30, 2016 are as follows:

- Net Position increased \$1,135,275. This was due in part to increased funding due to a new levy and the budgeted funds for the Crisis Center Renovation had not yet been spent as of the end of FY16.
- General receipts accounted for \$5,103,897 in receipts or 57 percent of all receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$3,784,816 or 43 percent of total receipts of \$8,888,713.
- The Board had \$7,753,438 in disbursements related to governmental activities; only \$3,784,816 of these disbursements were offset by program specific grants and contributions. General receipts of \$5,103,897 were adequate to provide for these programs.
- As of June 30, 2016, The Board's governmental funds reported combined ending fund balances of \$5,033,652.
- As of June 30, 2016, unassigned fund balance was \$2,655,162.
- As of June 30, 2016, the Board had cumulated deposit amounts totaling \$5,033,652.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Board as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

**The Statement of Net Position – Cash Basis and Statement of Activities - Cash Basis** provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those assets. Major 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 dollars remain for future spending.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)**

**Basis of Accounting**

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

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

**REPORTING THE BOARD AS A WHOLE**

The Statement of Net Position and the Statement of Activities reflect how the Board did financially during the year ended June 30, 2016, within the limitations of the cash basis of accounting. The Statement of Net Position – Cash Basis presents the cash balances of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program 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 receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

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

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, the Board's major programs are reported. State and federal grants finance most of these activities. To a significant extent, benefits provided through the governmental activities are being paid for by the people receiving them.

**REPORTING THE BOARD'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements** - Fund financial statements provide detailed information about the Board's major funds – not the Board as a whole. The Board establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the Board are governmental.

**Governmental Funds** - The Board's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Board's governmental operations and the services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's service programs.



**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)**

The Board's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Board's major governmental funds are the General Fund and Mental Health Community of Care Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Board maintains 23 individual governmental funds. Information is presented separately in the governmental funds and in the governmental funds Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – Cash Basis for both major funds. The basic governmental fund financial statements can be found starting on page 11 of this report.

**Notes to The Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

**THE BOARD AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the Board as a whole. Table 1, below, provides a summary of the Board's Net Position for the year ended June 30, 2016 compared to 2015.

**Table 1  
Net Position – Cash Basis**

	<b>Governmental Activities</b>	
	<b>6-30-16</b>	<b>6-30-15</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$5,033,652	\$3,898,377
<b>Net Position:</b>		
<b>Restricted for:</b>		
Other Purposes	474,026	102,248
Unrestricted	4,559,626	3,796,129
<b>Total Net Position</b>	<b>\$5,033,652</b>	<b>\$3,898,377</b>

Total Net Position increased \$1,135,275.

Table 2 shows the changes in Net Position for the year ended June 30, 2016. The Board has prepared financial statements following the format prescribed by GASB Statement 34, receipts and disbursement comparison to year 2015 is presented.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Position - Cash Basis**

	<b>Governmental Activities</b>	
	<b>6/30/2016</b>	<b>6/30/2015</b>
<b>Receipts:</b>		
<b>Program Cash Receipts:</b>		
Operating Grants and Contributions	\$3,784,816	\$3,913,702
Charges for Services		4,800
Total Program Cash Receipts	<u>3,784,816</u>	<u>3,918,502</u>
<b>General Receipts:</b>		
Property Taxes	4,451,326	3,052,881
Intergovernmental Contributions	410,707	268,181
Rent	239,379	194,343
Other Receipts	2,485	9,027
Total General Receipts	<u>5,103,897</u>	<u>3,526,617</u>
Total Receipts	<u>8,888,713</u>	<u>7,445,119</u>
<b>Disbursements:</b>		
General Government	1,484,843	1,354,333
Health Services	6,143,538	6,124,874
Employee Benefits	125,057	116,954
Total Disbursements	<u>7,753,438</u>	<u>7,596,161</u>
Change in Net Position	1,135,275	(151,042)
Net Position Beginning of Year	<u>3,898,377</u>	<u>4,049,419</u>
Net Position End of Year	<u>\$5,033,652</u>	<u>\$3,898,377</u>

For the year ended June 30, 2016, 57 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 43 percent of the Board's total receipts for that same time period. In 2015, 47 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 53 percent of the Board's total receipts in year 2015. Federal operating grants and state funds awarded for specific programs or purposes primarily make up these receipts.

**Total Cost versus Net Cost of Services**

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. The "net cost" amount represents the cost of those services supported by property tax receipts and intergovernmental revenues. Comparisons to 2015 have been presented.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)**

**Table 3**

<b>Functions/Program:</b>	<b>6-30-2016 Total Cost Of Services</b>	<b>6-30-2016 Net Cost Of Services</b>
<b>Governmental Activities:</b>		
Health Services	\$6,143,538	\$2,907,573
General Government	1,484,843	1,061,049
Employee Benefits	125,057	
Total Governmental Activities	<u>\$7,753,438</u>	<u>\$3,968,622</u>

**Table 3**

<b>Functions/Program:</b>	<b>6-30-2015 Total Cost Of Services</b>	<b>6-30-2015 Net Cost Of Services</b>
<b>Governmental Activities:</b>		
Health Services	\$6,124,874	\$2,715,789
General Government	1,354,333	961,869
Employee Benefits	116,954	1
Total Governmental Activities	<u>\$7,596,161</u>	<u>\$3,677,659</u>

The Board's reliance upon intergovernmental revenues, property tax receipts, and other general revenues is apparent as 51 percent of governmental activities are supported through these general receipts for the year ended June 30, 2016.

**THE BOARD'S FUNDS**

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

As of the year ended June 30, 2016, the Board's governmental funds reported combined ending fund balances of \$5,033,652, an increase of \$1,135,275.

The schedule below indicates the fund balance and the total change in fund balance as of the year ended June 30, 2016:

	<b>Fund Balance 6/30/2016</b>	<b>Fund Balance 6/30/2015</b>	<b>Increase (Decrease)</b>
General	\$4,604,868	\$3,826,169	\$778,699
Mental Health Community of Care	121,532	8,984	112,548
Other	307,252	63,224	244,028
Total	<u>\$5,033,652</u>	<u>\$3,898,377</u>	<u>\$1,135,275</u>

The general fund is the chief operating fund of the Board. The remaining fund balances of the special revenue funds will be paid to provider and other governmental agencies once requests for reimbursement are submitted.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)**

**GENERAL FUND BUDGETARY INFORMATION**

The Board's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts and disbursements.

During the year ended June 30, 2016, for the general fund, original budgeted receipts were \$5,162,561 and final budgeted receipts were \$5,111,406. Actual receipts for the year ended June 30, 2016 were \$5,108,897. This represents a (\$2,509) decrease over final budgeted receipts.

General fund original appropriations (appropriated expenditures) were \$5,781,373 and final budgeted appropriations were \$5,116,392. The actual budget basis expenditures totaled \$4,330,199. This represents a \$786,193 decrease over the final budget appropriations.

**CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

Changes in the insurance market will accelerate the shift costs from the private to public market, which will increase demand for services, and change consumer expectations for types of services.

An increase in the proportion of consumers who are Medicaid eligible will continue to require payments for services that are not optional and may increase the number of contract agencies who are targeting Medicaid consumers. This would impact the availability of funding for non-Medicaid consumers.

Current tax reform legislation introduced by the Governor's Office and being considered by the General Assembly may negatively impact future levy collections. Specifically, revenues received from the tangible personal property tax may be reduced materially impacting revenues.

The Board passed a replacement tax levy in May of 2005. Collections on this levy are estimated to increase by \$500,000 and begun in February 2006.

The Board passed an additional tax levy in May of 2014. Collections on this levy are estimated to increase funding by \$3,200,000 and begun in February of 2015. This increased funding brought the levels back to 2008 before state and federal funding cuts.

The demand for services is expected to increase in terms of quality and complexity, while resources may decrease. In addition, expectations of new and emerging populations may increase the need for additional culturally competent services.

Discretionary revenues are expected to diminish over the next few years. The Board will be challenged to maintain current levels of service and programs, but will attempt to do so through the most efficient uses of financial resources possible.

The uncertainty surrounding the economy may have an impact on our community and the demand for services.

**CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide an overview of Board's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chris W. Karcz, CPA, Chief Operating Officer, Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, 529 South Elizabeth St, Lima, OH 45804.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE, AND HARDIN COUNTIES  
ALLEN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2016**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,033,652
Total Assets	<u>5,033,652</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Other Purposes	474,026
Unrestricted	<u>4,559,626</u>
Total Net Position	<u><u>\$5,033,652</u></u>

*See accompanying notes to the basic financial statements.*

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE, AND HARDIN COUNTIES  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Health Services:</b>				
Contract - Services	\$6,143,538		\$3,235,965	(\$2,907,573)
<b>General Government:</b>				
Salaries	331,469		331,469	
Advertising and Printing	3,990		3,025	(965)
Professional Services	673,493		22,372	(651,121)
Supplies	4,470		4,470	
Postage and Shipping	98		98	
Communications	9,810		9,683	(127)
Dues	17,513		17,513	
Rentals	4,918		4,918	
Utilities	22,032			(22,032)
Maintenance	364,749		5,358	(359,391)
Insurance	22,233		3,984	(18,249)
Travel and Training	15,223		15,223	
Buildings/Equipment	14,845		5,681	(9,164)
Other Exp.				
Reimbursements				
<b>Employee Benefits:</b>				
Public Employee's Retirement	46,406		46,406	
Health Insurance	71,056		71,056	
Life Insurance	1,433		1,433	
Medicare	4,662		4,662	
Workers' Comp.	1,500		1,500	
<b>Total Governmental Activities</b>	<b>\$7,753,438</b>	<b>\$0</b>	<b>\$3,784,816</b>	<b>(3,968,622)</b>
<b>General Revenues:</b>				
				4,451,326
				410,707
				239,379
				2,485
				<u>5,103,897</u>
				1,135,275
				<u>3,898,377</u>
				<u><u>\$5,033,652</u></u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE, AND HARDIN COUNTIES  
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>Governmental Fund Types</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Mental Health Community of Care</u>	<u>Other Governmental Funds</u>	
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,604,868	\$121,532	\$307,252	\$5,033,652
Total Assets	<u>4,604,868</u>	<u>121,532</u>	<u>307,252</u>	<u>5,033,652</u>
<b>Fund Balance:</b>				
Restricted		121,532	352,494	474,026
Committed	1,531,918			1,531,918
Assigned	372,546			372,546
Unassigned	2,700,404		(45,242)	2,655,162
Total Fund Balances	<u>\$4,604,868</u>	<u>\$121,532</u>	<u>\$307,252</u>	<u>\$5,033,652</u>

*See accompanying notes to the basic financial statements.*

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE, AND HARDIN COUNTIES  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Mental Health Community of Care</b>	<b>Other Governmental Funds</b>	
<b>Receipts:</b>				
Taxes	\$4,451,326			\$4,451,326
Grants	5,000	\$1,829,160	\$1,950,655	3,784,815
Intergovernmental Revenue	410,707			410,707
Rent	239,379			239,379
Other	2,485			2,485
Total Cash Receipts	<u>5,108,897</u>	<u>1,829,160</u>	<u>1,950,655</u>	<u>8,888,712</u>
<b>Disbursements:</b>				
<b>Current Operations:</b>				
<b>Health Services:</b>				
Contract - Services	3,269,150	1,170,980	1,703,407	6,143,537
<b>General Government:</b>				
Salaries		331,469		331,469
Advertising and Printing	965	3,024		3,989
Professional Services	651,121	19,153	3,219	673,493
Supplies		4,470		4,470
Postage and Shipping		98		98
Communications	128	9,683		9,811
Dues		17,513		17,513
Rentals		4,918		4,918
Utilities	22,032			22,032
Maintenance	359,390	5,359		364,749
Insurance	18,249	3,984		22,233
Travel and Training		15,223		15,223
Buildings/Equipment	9,164	5,681		14,845
<b>Employee Benefits:</b>				
Public Employee's Retirement		46,406		46,406
Life Insurance		1,433		1,433
Health Insurance		71,056		71,056
Medicare		4,662		4,662
Workers' Comp.		1,500		1,500
Total Cash Disbursements	<u>4,330,199</u>	<u>1,716,612</u>	<u>1,706,626</u>	<u>7,753,437</u>
 Total Receipts Over/(Under) Disbursements	 778,698	 112,548	 244,029	 1,135,275
 Fund Cash Balances, July 1, 2015	 <u>3,826,170</u>	 <u>8,984</u>	 <u>63,223</u>	 <u>3,898,377</u>
 Fund Cash Balances, June 30, 2016	 <u>\$4,604,868</u>	 <u>\$121,532</u>	 <u>\$307,252</u>	 <u>\$5,033,652</u>

See accompanying notes to the basic financial statements.



**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE, AND HARDIN COUNTIES**

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Receipts:</b>				
Taxes	\$4,762,443	\$4,451,326	\$4,451,326	
Grants		5,000	5,000	
Intergovernmental Revenue	157,930	410,707	410,707	
Rent	242,188	242,188	239,379	(\$2,809)
Other		2,185	2,485	300
Total Cash Receipts	<u>5,162,561</u>	<u>5,111,406</u>	<u>5,108,897</u>	<u>(2,509)</u>
<b>Disbursements:</b>				
<b>Current Operations:</b>				
<b>Health Services:</b>				
Contract - Services	4,486,696	3,720,529	3,269,150	451,379
<b>General Government:</b>				
Advertising and Printing		325	965	(640)
Professional Services	428,243	998,071	651,121	346,950
Supplies	50			
Communications		128	128	
Rentals	5,400			
Utilities	28,540	20,462	22,032	(1,570)
Maintenance	803,981	358,628	359,390	(762)
Insurance	28,463	18,249	18,249	
Buildings/Equipment			9,164	(9,164)
Total Cash Disbursements	<u>5,781,373</u>	<u>5,116,392</u>	<u>4,330,199</u>	<u>786,193</u>
Total Receipts Over/(Under) Disbursements	(618,812)	(4,986)	778,698	783,684
Fund Cash Balances, July 1, 2015	<u>3,826,170</u>	<u>3,826,170</u>	<u>3,826,170</u>	
Fund Cash Balances, June 30, 2016	<u>\$3,207,358</u>	<u>\$3,821,184</u>	<u>\$4,604,868</u>	<u>\$783,684</u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE, AND HARDIN COUNTIES**

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
MENTAL HEALTH COMMUNITY OF CARE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over/(Under)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Receipts:</b>				
Grants	\$1,829,160	\$1,829,160	\$1,829,160	
Total Cash Receipts	<u>1,829,160</u>	<u>1,829,160</u>	<u>1,829,160</u>	
<b>Disbursements:</b>				
<b>Current Operations:</b>				
<b>Health Services:</b>				
Contract - Services	1,308,171	1,265,843	1,170,980	\$94,863
<b>General Government:</b>				
Salaries	308,563	320,500	331,469	(10,969)
Advertising and Printing	3,050	5,500	3,024	2,476
Professional Services	20,414	21,375	19,153	2,222
Supplies	4,559	5,500	4,470	1,030
Postage and Shipping	208	3,000	98	2,902
Communications	9,886	10,000	9,683	317
Dues	16,766	21,000	17,513	3,487
Rentals	8,219	11,000	4,918	6,082
Utilities				
Maintenance	16,382	5,859	5,359	500
Insurance		3,984	3,984	
Travel and Training	11,844	26,000	15,223	10,777
Buildings/Equipment		5,681	5,681	
Other Exp.		5,102		5,102
<b>Employee Benefits:</b>				
Public Employee's Retirement	43,199	45,000	46,406	(1,406)
Life Insurance	1,652	2,100	1,433	667
Health Insurance	69,707	75,653	71,056	4,597
Medicare	4,324	4,700	4,662	38
Workers' Comp.	2,216	347	1,500	(1,153)
Total Cash Disbursements	<u>1,829,160</u>	<u>1,838,144</u>	<u>1,716,612</u>	<u>121,532</u>
Total Receipts Over/(Under) Disbursements		(8,984)	112,548	121,532
Fund Cash Balances, July 1, 2015	<u>8,984</u>	<u>8,984</u>	<u>8,984</u>	
Fund Cash Balances, June 30, 2016	<u>\$8,984</u>	<u>\$0</u>	<u>\$121,532</u>	<u>\$121,532</u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**1. REPORTING ENTITY**

The Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties (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 directed by a sixteen-member Board. Board members are appointed by the Board's Director, the legislative authorities of the political subdivisions making up the Board, and the Ohio Department of Mental Health and Addiction Services (MHAS). The Board includes members from those legislative authorities as well as citizens of the Board. The political subdivisions are Allen, Auglaize and Hardin counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable for an organization if the Board appoints a voting majority of the organizations' government board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access to organizations' resources; or (3) the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Board is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the Board has no component units. The basic financial statements of the reporting entity include only those of the Board. The Board has no component units.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, 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). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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.

**1. Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Position presents the cash balance of the governmental activities of the Board at year end. The Statement of Activities compares disbursements and program receipts for each program or function of the Board's governmental activities. 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.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Board.

**2. Fund Financial Statements**

During the year, the Board segregates transactions related to the Board's activities in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements report detailed information about the Board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**B. Fund Accounting**

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

**1. Governmental Funds**

Governmental funds are those through all of which governmental functions of the Board are financed. The following are the Board's major governmental funds:

**General Fund** -The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

**Mental Health Community of Care Fund** – Used to account for proceeds received from the State of Ohio to provide services to persons with severe mental/emotional disabilities and for the promotion and support of their recovery and resilience.

The other governmental funds of the Board account for grants and other resources whose use is restricted for a particular purpose

**C. 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.

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.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board members. The legal level of control has been established by the Board at the fund object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Board. 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.

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

**E. Cash and Investments**

As required by the Ohio Revised Code, the Allen County Treasurer is the custodian for the Board's cash and investments. The County's cash and investment pool holds the Board's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from Allen County. For information regarding deposit and investment disclosures of the Mental Health and Recovery Services Board, the Treasurer of Allen County, Rhonda Eddy, may be contacted at 301 North Main Street, Lima, Ohio, 45801.

**F. Inventory and Prepaid Items**

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

**G. Capital Assets**

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

**H. Accumulated Leave**

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

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. 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 category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Interfund Activity**

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

**K. Employer Contributions to Cost-Sharing Pension Plans**

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

**L. Net Position**

Net position is reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

**3. EQUITY IN POOLED CASH**

The Allen County Auditor acts as the fiscal agent for the Board and the County Treasurer maintains a cash and investment pool used by all County funds. Because of the nature of the pool all County funds are commingled, the risk involved and the preferential claim of the Board cannot be determined.

The Allen County Auditor's records indicated the Board's cash balance as of June 30, 2016, was \$5,033,652.

**4. PROPERTY TAXES**

Property taxes are levied, assessed and collected on a calendar year basis while the Board's fiscal year runs from July through June. First-half tax distributions are received by the Board in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. They include amounts levied against all real property and public utility property located in the Allen, Auglaize, and Hardin Counties. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected.

Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**4. PROPERTY TAXES (Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Allen, Auglaize, and Hardin County Auditors collect property taxes on behalf of the Board and remit the collected taxes to the Board. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Real Property-2015 Second Half	<u>Allen</u>	<u>Auglaize</u>	<u>Hardin</u>
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,736,477,390	\$1,036,167,830	\$661,406,970
Public Utilities	113,322,280	24,522,530	27,003,750
Total Assessed Value	<u>\$1,849,799,670</u>	<u>\$1,060,690,360</u>	<u>\$688,410,720</u>

Real Property-2016 First Half	<u>Allen</u>	<u>Auglaize</u>	<u>Hardin</u>
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,819,877,280	\$1,037,596,550	\$662,772,900
Public Utilities	121,980,940	31,613,560	32,911,020
Total Assessed Value	<u>\$1,941,858,220</u>	<u>\$1,069,210,110</u>	<u>\$695,683,920</u>

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Errors and omissions.

The Board has pulled out of the County Employee Health Insurance Plan effective June 30, 2011 and now maintains a high deductible Health Care Plan with Medical Mutual with the intent to reduce health care premiums and overall costs. In conjunction with the high deductible plan, an HSA (Health Savings Plan) has been established. The plan has a \$5,000 per family and \$2,500 per individual deductible. Once the deductible is met, the insurance plan begins to pay at 100%.

**6. DEFINED BENEFIT PENSION PLAN**

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

**Plan Description** – The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members may elect the member-directed plan and the combined plan, most employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.



**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**6. DEFINED BENEFIT PENSION PLAN (Continued)**

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members 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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Public Safety and Law Enforcement Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Public Safety and Law Enforcement Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**6. DEFINED BENEFIT PENSION PLAN (Continued)**

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 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. 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.

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

	<u>State And Local</u>		<u>Public Safety</u>		<u>Law Enforcement</u>
<b>2016 Statutory Maximum Contribution Rates:</b>					
Employer	14.0 %		18.1 %		18.1 %
Employee	10.0 %		*		**
<b>2016 Actual Contribution Rates:</b>					
<b>Employer:</b>					
Pension	12.0 %		16.1 %		16.1 %
Post-employment Health Care Benefits	2.0 %		2.0 %		2.0 %
Total Employer	<u>14.0 %</u>		<u>18.1 %</u>		<u>18.1 %</u>
Employee	<u>10.0 %</u>		<u>12.0 %</u>		<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Board's contractually required contribution was \$46,406 for year 2016.

**7. POST-EMPLOYMENT BENEFIT**

**A. Plan Description**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pensions 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.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**7. POST-EMPLOYMENT BENEFIT (Continued)**

OPERS maintains two cost-sharing multiple employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend the OPEB Plan 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>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

**B. Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage 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 covered payroll of active members. In 2016, state and local employers contributed at a rate of 14.0% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS maintains three health care trusts. The two cost sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member Directed Plan Members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0% during 2016. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during 2014. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**7. POST-EMPLOYMENT BENEFIT (Continued)**

The rates stated above are the contractually required contribution rates for OPERS. The Board's contributions allocated to fund post-employment health care benefits for the years ended June 30, 2016, June 30, 2015 and June 30, 2014 were \$6,629, \$6,097, and \$3,997 respectively; 100 percent has been contributed for all years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and approved health care changes, OPERS expects to be able to consistently allocated 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**8. CONTINGENT LIABILITIES**

**A. Grants**

The Board has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Board believes such disallowances, if any, will be immaterial.

**B. Fund Designation**

In recognition of the risk inherent in its operations, the Board has designated a portion of its general fund balance (analogous in the insurance industry to a catastrophe fund) to absorb financial shortfalls, whether temporary or permanent. The designation exists to help the Board meet its statutory and contractual responsibilities in the event that the cost for client related services exceed available revenues. These shortfalls can come about because of discontinued funding for a specific program, reductions in funding from selected services or over-runs in cost.

The recommended fund balance designation requirement was developed as equal to two months of the total operating budget (2/12). This percentage is then converted to a dollar amount for the current operating year identifying a minimum level. At June 30, 2016 the Board had designated \$1,389,912 for possible future financial shortfalls.

**9. FUND BALANCES**

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 the major governmental funds and all other governmental funds are presented below:

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Continued)**

**9. FUND BALANCES (Continued)**

<u>Fund Balances</u>	<u>General Fund</u>	<u>MH Community of Care</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted for:</b>				
Services per ODMH/ODADAS allocation guidelines		\$121,532	\$352,494	\$474,026
Total Restricted		121,532	352,494	474,026
<b>Committed to:</b>				
Budget Stabilization	\$1,389,912			1,389,912
Facility Management	142,006		0	142,006
Total Committed	1,531,918	0	0	1,531,918
<b>Assigned to:</b>				
Capital Projects	372,546	0		372,546
Total Assigned	372,546	0	0	372,546
Unassigned (deficits):	2,700,404		(45,242)	2,655,162
Total Fund Balances	<u>\$4,604,868</u>	<u>\$121,532</u>	<u>\$307,252</u>	<u>\$5,033,652</u>

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD  
OF ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed Through Ohio Department of Mental Health and Addiction Services:</b>				
Block Grants for Community Mental Health Services	93.958	01-BG01PLAN-16		\$117,813
	93.958	02-0402-Housing-T-16		10,670
Total Block Grants for Community Mental Health Services			<u>118,483</u>	<u>128,483</u>
Social Services Block Grant	93.667	N/A		5,905
	93.667	N/A		115,005
Total Social Services Block Grant			<u>120,910</u>	<u>120,910</u>
Block Grants for Prevention and Treatment of Substance Abuse				
FEDERAL PER CAPITA - Treatment	93.959	01-BGD-FY15		11,273
	93.959	01-BGD-FY16		393,741
	93.959	01-BGD-FY17		8,296
FEDERAL PER CAPITA - Prevention	93.959	01-BGD-FY16	\$96,383	96,383
	93.959	01-BGD-FY17	14,011	14,011
UMADAOP	93.959	0205004-00-UMP-16		106,443
	93.959	0205004-00-UMP-17		12,383
Women's Treatment	93.959	N/A		16,619
	93.959	N/A		1,718
Prevention Services	93.959	N/A		23,741
Circle for Recovery	93.959	N/A		53,189
	93.959	N/A		6,280
Youth Led Prevention	93.959	N/A		3,399
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>110,394</u>	<u>747,476</u>
Total Federal Assistance - U.S. Department of Health and Human Services			<u>110,394</u>	<u>996,869</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$110,394</u>	<u>\$996,869</u>

*The accompanying notes are an integral part of this schedule.*

**MENTAL HEALTH AND RECOVERY SERVICES BOARD  
OF ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal activity of the Mental Health and Recovery Services Board (the Board) federal award programs for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – SUB-RECIPIENTS**

The Board passes-through certain Federal assistance monies received from the Ohio Department of Mental Health and Drug Addiction Services to other governments, or not-for-profit agencies (sub recipients). As described in Note B, the Board records expenditures of Federal awards to sub recipients when cash is paid.

As a subrecipient, the Board has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals..

**NOTE D – MATCHING REQUIREMENTS**

Certain Federal programs require that the Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has met its matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





# Dave Yost • Auditor of State

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

Mental Health and Recovery Services Board  
Of Allen, Auglaize and Hardin Counties  
Allen County  
529 South Elizabeth Street  
Lima, Ohio 45804

To the Members of the Governing Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, (the Board) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 11, 2017, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

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

August 11, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mental Health and Recovery Services Board  
Of Allen, Auglaize and Hardin Counties  
Allen County  
529 South Elizabeth Street  
Lima, Ohio 45804

To the Members of the Governing Board:

### ***Report on Compliance for the Major Federal Program***

We have audited the Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties (the Board), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Board's major federal program.

### ***Management's Responsibility***

The Board's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the Board's compliance for the Board's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.ohioauditor.gov](http://www.ohioauditor.gov)

**Report on Internal Control Over Compliance**

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



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

August 11, 2017

**MENTAL HEALTH AND RECOVERY SERVICES BOARD  
OF ALLEN, AUGLAIZE, AND HARDIN COUNTIES  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Block Grants for Prevention and Treatment of Substance Abuse CFDA #93.959
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Material Weakness – Classification of Financial Activity	Partially Corrected and Repeated in the Management letter.	Special Revenue Deficit Fund Balances were not reported as Unassigned. Board working to correct this on the FY17 Report by eliminating the Deficit issue with Advances.



# Dave Yost • Auditor of State

**MENTAL HEALTH AND RECOVERY SERVICE BOARD OF ALLEN, AUGLAIZE AND HARDIN CO.**

**ALLEN 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  
OCTOBER 17, 2017**