



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 Board:

Report on the Financial Statements

We have audited the accompanying 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 period ended June 30, 2014, 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 2C 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, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General, Mental Health Community of Care, and Facility Management Funds thereof for the period then ended in accordance with the accounting basis described in Note 2C.

Accounting Basis

We draw attention to Note 2C of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Board changed its fiscal year from a calendar year to a fiscal year running July 1 through June 30 and the financial statements represent the conversion period from January 1, 2014 to June 30, 2014. Also, as described in Note 9, the Board restated the fund balance for the General Fund and Other Governmental Funds as of January 1, 2014. Our opinion is not modified with respect to these matters.

Other Matters

Supplemental and Other Information

We audited to opine on the Board's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities, and fund balances. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the 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, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and 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 January 29, 2015, 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.

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

January 29, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2014
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 period ended June 30, 2014. 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 period ended June 30, 2014 are as follows:

- Net Position decreased \$171,756. This was due in part to decreasing funding and increased provider service billings compared to the prior year.
- General receipts accounted for \$992,991 (not including advances) in receipts or 28 percent of all receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$2,575,303 or 72 percent of total receipts of \$3,568,294.
- The Board had \$3,740,050 (not including advances) in disbursements related to governmental activities; only \$2,571,303 of these disbursements were offset by program specific grants and contributions. General receipts of \$992,991 were inadequate to provide for these programs and \$171,756 of remaining fund balance was used to bridge the funding gap.
- Advances of \$484,875 made from the General Fund in 2013 were paid back to the general fund for total Net advances in 2014 of \$484,875.
- As of June 30, 2014, The Board's governmental funds reported combined ending fund balances of \$4,049,419.
- As of June 30, 2014, unassigned fund balance was \$780,229.
- As of June 30, 2014, the Board had cumulated deposit amounts totaling \$4,049,419.

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 PERIOD ENDED JUNE 30, 2014
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 period ended June 30, 2014, 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. Charges for services and 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 HEALTH DISTRICT'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 PERIOD ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The Board's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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, Mental Health Community of Care Fund, and the Facility Management 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 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all three major funds. The basic governmental fund financial statements can be found starting on page 13 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 19 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 period ended June 30, 2014 compared to 2013.

**Table 1
Net Position – Cash Basis**

	Governmental Activities	
	6/30/2014	12/31/2013
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,049,419	\$4,221,175
Net Position		
Restricted for:		
Other Purposes	862,691	768,338
Capital Outlay	58,806	350,735
Unrestricted	3,127,922	3,102,102
Total Net Position	\$4,049,419	\$4,221,175

Total assets decreased (\$171,756).

Table 2 shows the changes in Net Position for the period ended June 30, 2014. The Board has prepared financial statements following the format prescribed by GASB Statement 34, receipts and disbursement comparison to year 2013 is presented.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 2
Changes in Net Position**

	Governmental Activities	
	6/30/2014	12/31/2013
Receipts:		
Program Cash Receipts:		
Operating Grants and Contributions	\$2,571,303	\$3,596,479
Charges for Services	4,000	9,500
Total Program Cash Receipts	<u>2,575,303</u>	<u>3,605,979</u>
General Receipts:		
Property Taxes	702,870	1,261,892
Intergovernmental Contributions	187,089	330,736
Rent	45	
Other Receipts	91,889	180,181
Total General Receipts	<u>11,098</u>	<u>106,336</u>
Total Receipts	<u>3,568,294</u>	<u>5,485,124</u>
Disbursements:		
Environmental Health:		
General Government	755,823	1,635,163
Health Services	2,905,131	4,502,074
Employee Benefits	79,096	132,974
Total Disbursements	<u>3,740,050</u>	<u>6,270,211</u>
Change in Net Assets	(171,756)	(785,087)
Net Assets Beginning of Year	<u>4,221,175</u>	<u>5,006,262</u>
Net Assets End of Year	<u>\$4,049,419</u>	<u>\$4,221,175</u>

For the period ended June 30, 2014, 28 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 72 percent of the Board's total receipts for that same time period. In 2013, 34 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 66 percent of the Board's total receipts in year 2013. Medicaid and its matching funds, 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 2013 have been presented.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

Functions/Program:	6/30/2014 Total Cost of Services	6/30/2014 Net Cost of Services
Governmental Activities:		
Health Services	\$2,905,131	\$664,497
General Government	755,823	500,250
Employee Benefits	79,096	
Total Governmental Activities	<u>\$3,740,050</u>	<u>\$1,164,747</u>

Functions/Program	12/31/2013 Total Cost of Services	12/31/2013 Net Cost of Services
Governmental Activities:		
Health Services	\$4,502,074	\$1,844,113
General Government	1,635,163	820,119
Employee Benefits	132,974	
Total Governmental Activities	<u>\$6,270,211</u>	<u>\$2,664,232</u>

The Board's reliance upon intergovernmental revenues, property tax receipts, and other general revenues is apparent as 28 percent of governmental activities are supported through these general receipts for the period ended June 30, 2014.

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 period ended June 30, 2014, the Board's governmental funds reported combined ending fund balances of \$4,049,419, a decrease of (\$171,756).

The schedule below indicates the fund balance and the total change in fund balance as of the period ended June 30, 2014:

	Fund Balance 30-June-14	Fund Balance 31-Dec-13	Increase (Decrease)
General	\$3,132,743	\$3,138,104	(\$5,361)
MentalHealth Community of Care	31,057		31,057
Facility Management	466,276	430,113	36,163
Other	419,343	652,958	(233,615)
Total	<u>\$4,049,419</u>	<u>\$4,221,175</u>	<u>(\$171,756)</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 PERIOD ENDED JUNE 30, 2014
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, disbursements and encumbrances.

During the period ended June 30, 2014, The Board did not amend its general fund budget throughout the period. For the general fund, original budgeted receipts were \$1,617,914 and final budgeted receipts were \$1,617,914. Actual receipts for the period ended June 30, 2014 were \$905,102. This represents a (\$712,812) decrease under final budgeted receipts.

General fund original appropriations (appropriated expenditures) were \$1,657,914 and final budgeted appropriations were \$1,657,914. The actual budget basis expenditures totaled \$1,395,338. This represents a \$262,576 decrease under 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 have 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 will begin 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 it's 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, 2014**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,049,419
Total Assets	<u>4,049,419</u>
Net Position:	
Restricted for:	
Other Purposes	862,691
Capital Projects	58,806
Unrestricted	<u>3,127,922</u>
Total Net Position	<u>\$4,049,419</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 PERIOD ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Cash Disbursements</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Health Services:				
Contract - Services	\$2,905,131	\$4,000	\$2,236,634	(\$664,497)
General Government:				
Salaries	178,250		178,250	
Advertising and Printing	3,239		2,848	(391)
Professional Services	256,967		29,176	(227,791)
Supplies	3,440		3,440	
Communications	6,324		6,324	
Dues	1,510		1,510	
Rentals	5,610		5,610	
Utilities	14,640			(14,640)
Maintenance	261,156		3,885	(257,271)
Travel and Training	18,377		18,377	
Buildings/Equipment	6,153		6,153	
Other Exp.	157			(157)
Employee Benefits:				
Public Employee's Retirement	27,982		27,982	
Health Insurance	45,894		45,894	
Life Insurance	791		791	
Medicare	2,495		2,495	
Workers' Comp.	1,934		1,934	
Total Governmental Activities	<u><u>\$3,740,050</u></u>	<u><u>\$4,000</u></u>	<u><u>\$2,571,303</u></u>	<u><u>(1,164,747)</u></u>
General Revenues:				
Taxes				702,870
Intergovernmental Revenue				187,089
Contributions				45
Rent Income				91,889
Other				11,098
Total General Revenues				<u><u>992,991</u></u>
Change in Net Position				(171,756)
Net Position - Beginning of Year				<u><u>4,221,175</u></u>
Net Position - End of Year				<u><u>\$4,049,419</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
FOR THE PERIOD ENDED JUNE 30, 2014**

	<u>Governmental Fund Types</u>			<u>Total Governmental Funds</u>	
	<u>General</u>	<u>Mental Health Community of Care</u>	<u>Facility Management</u>		<u>Other Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,132,743	\$31,057	\$466,276	\$419,343	\$4,049,419
Total Assets	<u>3,132,743</u>	<u>31,057</u>	<u>466,276</u>	<u>419,343</u>	<u>4,049,419</u>
Liabilities and Fund Balance:					
Fund Balance:					
Restricted		31,057		360,537	391,594
Committed	1,043,043		466,276		1,509,319
Assigned	1,309,471			58,806	1,368,277
Unassigned	780,229				780,229
Total Fund Balances	<u>\$3,132,743</u>	<u>\$31,057</u>	<u>\$466,276</u>	<u>\$419,343</u>	<u>\$4,049,419</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 PERIOD ENDED JUNE 30, 2014**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Mental Health Community of Care	Facility Management	Other Governmental Funds	
Receipts:					
Taxes	\$702,870				\$702,870
Grants		\$914,580		\$1,656,723	2,571,303
Intergovernmental Revenue	187,089				187,089
Charges for Services	4,000				4,000
Contributions	45				45
Rent			91,889		91,889
Other	11,098				11,098
Total Cash Receipts	905,102	914,580	91,889	1,656,723	3,568,294
Disbursements:					
Current Operations:					
Health Services:					
Contract - Services	1,206,742	400,940		1,297,449	2,905,131
General Government:					
Salaries		178,250			178,250
Advertising and Printing	391	2,848			3,239
Professional Services	188,048	14,411	3,743	50,765	256,967
Supplies		3,440			3,440
Communications		6,324			6,324
Dues		1,510			1,510
Rentals		5,610			5,610
Utilities			14,640		14,640
Maintenance		3,885	37,343	219,928	261,156
Travel and Training		18,377			18,377
Buildings/Equipment		6,153			6,153
Other Exp.	157				157
Employee Benefits:					
Public Employee's Retirement		27,982			27,982
Life Insurance		791			791
Health Insurance		45,894			45,894
Medicare		2,495			2,495
Workers' Comp.		1,934			1,934
Total Cash Disbursements	1,395,338	720,844	55,726	1,568,142	3,740,050
Total Receipts Over/(Under) Disbursements	(490,236)	193,736	36,163	88,581	(171,756)
Other Financing Receipts/(Disbursements):					
Advances In	484,875				484,875
Advances (Out)		(162,679)		(322,196)	(484,875)
Total Other Financing Receipts/(Disbursements)	484,875	(162,679)		(322,196)	
Net Change in Fund Balance	(5,361)	31,057	36,163	(233,615)	(171,756)
Fund Cash Balances, January 1, 2014 - Restated - (Note 9)	3,138,104		430,113	652,958	4,221,175
Fund Cash Balances, December 31, 2014	<u>\$3,132,743</u>	<u>\$31,057</u>	<u>\$466,276</u>	<u>\$419,343</u>	<u>\$4,049,419</u>

See accompanying notes to the basic financial statements.

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE PERIOD ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Taxes	\$1,466,156	\$1,466,156	\$702,870	(\$763,286)
Intergovernmental Revenue	126,472	126,472	187,089	60,617
Charges for Services	9,500	9,500	4,000	(5,500)
Contributions			45	45
Other	15,786	15,786	11,098	(4,688)
Total Cash Receipts	<u>1,617,914</u>	<u>1,617,914</u>	<u>905,102</u>	<u>(712,812)</u>
Disbursements:				
Current Operations:				
Health Services:				
Contract - Services	1,428,522	1,428,522	1,206,742	221,780
General Government:				
Advertising and Printing	12,384	12,384	391	11,993
Professional Services	216,466	216,466	188,048	28,418
Supplies	542	542		542
Other Exp.			157	(157)
Total Cash Disbursements	<u>1,657,914</u>	<u>1,657,914</u>	<u>1,395,338</u>	<u>262,576</u>
Total Receipts Over/(Under) Disbursements	(40,000)	(40,000)	(490,236)	(450,236)
Other Financing Receipts/(Disbursements):				
Advances In			484,875	484,875
Total Other Financing Receipts/(Disbursements)			<u>484,875</u>	<u>484,875</u>
Net Change in Fund Balance	(40,000)	(40,000)	(5,361)	34,639
Fund Cash Balances, January 1, 2014	<u>3,138,104</u>	<u>3,138,104</u>	<u>3,138,104</u>	
Prior Year Encumbrances Appropriated				
Fund Cash Balances, December 31, 2014	<u>\$3,098,104</u>	<u>\$3,098,104</u>	<u>\$3,132,743</u>	<u>\$34,639</u>

See accompanying notes to the basic financial statements.

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MENTAL HEALTH COMMUNITY OF CARE FUND
FOR THE PERIOD ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Grants	\$1,829,160	\$1,829,160	\$914,580	(\$914,580)
Total Cash Receipts	<u>1,829,160</u>	<u>1,829,160</u>	<u>914,580</u>	<u>(914,580)</u>
Disbursements:				
Current Operations:				
Health Services:				
Contract - Services	1,076,552	1,076,552	400,940	675,612
General Government:				
Salaries	394,948	394,948	178,250	216,698
Advertising and Printing	5,506	5,506	2,848	2,658
Professional Services	101,750	101,750	14,411	87,339
Supplies	8,456	8,456	3,440	5,016
Postage and Shipping	500	500		500
Communications	9,402	9,402	6,324	3,078
Dues	18,392	18,392	1,510	16,882
Rentals	10,456	10,456	5,610	4,846
Maintenance	2,692	2,692	3,885	(1,193)
Travel and Training	37,892	37,892	18,377	19,515
Buildings/Equipment	7,326	7,326	6,153	1,173
Other Exp.	356	356		356
Employee Benefits:				
Public Employee's Retirement	55,292	55,292	27,982	27,310
Life Insurance	1,678	1,678	791	887
Health Insurance	89,494	89,494	45,894	43,600
Medicare	5,726	5,726	2,495	3,231
Workers' Comp.	2,742	2,742	1,934	808
Total Cash Disbursements	<u>1,829,160</u>	<u>1,829,160</u>	<u>720,844</u>	<u>1,108,316</u>
Total Receipts Over/(Under) Disbursements			193,736	193,736
Other Financing Receipts/(Disbursements):				
Advances In			(162,679)	(162,679)
Total Other Financing Receipts/(Disbursements)			<u>(162,679)</u>	<u>(162,679)</u>
Net Change in Fund Balance			31,057	31,057
Fund Cash Balances, January 1, 2014				
Prior Year Encumbrances Appropriated				
Fund Cash Balances, December 31, 2014	<u>\$0</u>	<u>\$0</u>	<u>\$31,057</u>	<u>\$31,057</u>

See accompanying notes to the basic financial statements.

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
FACILITY MAINTENANCE FUND
FOR THE PERIOD ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/(Under)
	Original Budget	Final Budget	Actual	
Revenues:				
Rent	\$180,182	\$180,182	\$91,889	(\$88,293)
Total Cash Receipts	<u>180,182</u>	<u>180,182</u>	<u>91,889</u>	<u>(88,293)</u>
Disbursements:				
Current Operations:				
General Government:				
Professional Services	750	750	3,743	(2,993)
Utilities	21,728	21,728	14,640	7,088
Maintenance	99,290	99,290	37,343	61,947
Insurance	18,000	18,000		18,000
Other Exp.	2,056	2,056		2,056
Total Cash Disbursements	<u>141,824</u>	<u>141,824</u>	<u>55,726</u>	<u>86,098</u>
Total Receipts Over/(Under) Disbursements	<u>38,358</u>	<u>38,358</u>	<u>36,163</u>	<u>(2,195)</u>
Fund Cash Balances, January 1, 2014	<u>430,113</u>	<u>430,113</u>	<u>430,113</u>	
Prior Year Encumbrances Appropriated				
Fund Cash Balances, December 31, 2014	<u><u>\$468,471</u></u>	<u><u>\$468,471</u></u>	<u><u>\$466,276</u></u>	<u><u>(\$2,195)</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014**

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 and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Allen, Auglaize and Hardin Counties, the Ohio Department of Mental Health and Addiction Services (ODMHAS). 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.

During 2014, the decision was made to change the Board's fiscal year from January 1 through December 31 to July 1 through June 30 to align our audit and accounting records to the Board's main funding sources and reporting 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Fund Financial Statements – During the period, 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. Fiduciary funds are reported by fund type.

B. Fund Accounting

The Board uses funds to maintain its financial records during the period. 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 two categories: governmental and fiduciary.

1. Governmental Funds

Governmental funds are those through which most 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.

Facility Management Fund – Used to account for facility purchases and maintenance undertaken by the board.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 period.

E. Cash and Investments

As required by the Ohio Revised Code, the 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 the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

I. Fund Balance Reserves and Designations

Fund balance is divided into five classifications based primarily on the extent to which 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. It also includes the long-term amount of inter-fund loans.

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 of Health. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

J. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange 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, 2014, was \$4,049,419.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014
(Continued)**

4. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Allen, Auglaize, and Hardin Counties. 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.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2014 represent the collection of 2014 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied April 1, 2013 on the values listed as of December 31, 2012. 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. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. 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	Allen	Auglaize	Hardin
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,736,039,270	\$901,298,520	\$507,308,620
Public Utilities	111,786,180	23,339,390	26,543,460
Total Assessed Value	<u>\$1,847,825,450</u>	<u>\$924,637,910</u>	<u>\$533,852,080</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%.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014
(Continued)**

6. DEFINED BENEFIT PENSION PLAN

A. Plan Description

Mental Health and Recovery Services Board contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost sharing, multiple-employer public employee retirement system. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries through three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under this plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under this plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the OPERS board of trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-PERS (7377).

B. Funding Policy

Plan members are required to contribute a percentage of their annual covered salary (10% in 2014.) The employer contribution rate for 2014 was 14% of annual covered payroll. Mental Health and Recovery Services Board's contributions to OPERS for the period ended June 30, 2014 was \$23,984 and years ended December 31, 2013 and 2012 were \$52,116 and \$45,172 respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

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.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014
(Continued)**

7. POST-EMPLOYMENT BENEFIT (Continued)

Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, 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' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). 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 calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during calendar year 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.

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 period ended June 30, 2014 and the years ended December 31, 2013 and 2012 were \$3,997, \$14,890, and \$12,874 respectively; 100 percent has been contributed for all periods.

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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014
(Continued)**

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, 2014 the Board had designated \$1,043,043 for possible future financial shortfalls.

9. PRIOR PERIOD FUND BALANCE ADJUSTMENT

The Board had a prior period fund balance adjustment to the following funds:

Fund	Fund Balance 12/31/2013	Prior Period Adjustment	Fund Balance, Restated 1/1/2014
General Fund	\$3,102,102	\$36,002	\$3,138,104
Other Governmental Funds	688,960	(36,002)	652,958

Adjustments necessary due to a posting errors between funds that were discovered after CY2013 audit was completed. A \$36,000 payment was posted to the Levy fund when it was budgeted in and should have been posted to the Capital Projects Fund. The \$2 is due to closing out various unused funds with less than \$1 into the Levy fund.

10. 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 PERIOD ENDED JUNE 30, 2014
(Continued)**

10. FUND BALANCES (Continues)

<u>Fund Balances</u>	<u>General Fund</u>	<u>Mental Health Community of Care</u>	<u>Facility Management</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:					
Services per ODMHAS allocation guidelines		\$31,057		\$360,537	\$391,594
Total Restricted		<u>31,057</u>		<u>360,537</u>	<u>391,594</u>
Committed to:					
Budget Stabilization	\$1,043,043				1,043,043
Facility Management			\$466,276		466,276
Total Committed	<u>1,043,043</u>		<u>466,276</u>		<u>1,509,319</u>
Assigned to:					
Subsequent Year Appropriations	1,309,471				1,309,471
Capital Projects				58,806	58,806
Total Assigned	<u>1,309,471</u>			<u>58,806</u>	<u>1,368,277</u>
Unassigned (deficits):	<u>780,229</u>				<u>780,229</u>
Total Fund Balances	<u>\$3,132,743</u>	<u>\$31,057</u>	<u>\$466,276</u>	<u>\$419,343</u>	<u>\$4,049,419</u>

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 2014**

Federal Grantor Program Title	Federal CFDA Number	Project Number	Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Mental Health and Addiction Services:			
Block Grants for Community Mental Health Services	93.958	01-BG01PLAN-14	\$84,452
Social Services Block Grant-Title XX	93.667	FY14	114,797
FEDERAL PER CAPITA - Treatment	93.959	01-BGD-FY14	258,183
	93.959	01-BGD-FY15	9,129
FEDERAL PER CAPITA - Prevention	93.959	01-BGD-FY14	29,013
	93.959	01-BGD-FY15	10,318
Women's Treatment	93.959	FY14	9,145
	93.959	FY15	1,829
Prevention Services	93.959	FY14	9,398
	93.959	FY15	2,917
Circle for Recovery	93.959	FY14	22,071
	93.959	FY15	4,538
UMADAOP	93.959	0205004-00-UMP-14	58,837
	93.959	0205004-00-UMP-15	11,795
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>427,173</u>
Total Federal Assistance - U.S. Department of Health and Human Services			<u><u>\$626,422</u></u>

See accompanying Notes to the Schedule of Federal Awards.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Mental Health and Recovery Services Board (the Board) federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has complied with the 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 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, (the Board) as of and for period ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated January 29, 2015, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles. We also noted the Board changed its fiscal year from a calendar year to a fiscal year running July 1 through June 30 as described in in Note 1. Also, as noted in Note 9, the Board restated the fund balance for the General Fund and Other Governmental Funds.

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

January 29, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Board:

Report on Compliance for Each Major Federal Program

We have audited the Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties, Allen County's (the Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin County's major federal program for the period ended June 30, 2014. The *Summary of Audit 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 period ended June 30, 2014.

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 OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE PERIOD ENDED JUNE 30, 2014**

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 control weaknesses 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 internal control weaknesses 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 § .510(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: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**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**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
PERIOD ENDED JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code Section 5705.14(E) Transfers	Yes	
2013-002	Classification of Financial Activity	Yes	



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ALLEN COUNTY ALCOHOL, DRUG AND MENTAL HEALTH SERVICES AND RECOVERY BOARD

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
FEBRUARY 24, 2015**