



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

MENTAL HEALTH AND RECOVERY BOARD OF
ERIE AND OTTAWA COUNTIES
ERIE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board Members
Mental Health and Recovery Board of Erie and Ottawa Counties
1907 East Perkins Avenue
Sandusky, Ohio 44870

We have reviewed the *Independent Auditor's Report* of the Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mental Health and Recovery Board of Erie and Ottawa Counties is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 08, 2021

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Mental Health and Recovery Board of Erie and Ottawa Counties
Erie County
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INDEPENDENT AUDITOR'S REPORT

Mental Health and Recovery Board of Erie and Ottawa Counties
Erie County
1907 East Perkins Avenue
Sandusky, Ohio 44870

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, Ohio (the Board).

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Board prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Board does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Board as of December 31, 2020 and 2019, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Board, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the 2020 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Board. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021, 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.



BHM CPA Group, Inc.
Piketon, Ohio
June 30, 2021

Mental Health and Recovery Board of Erie and Ottawa Counties
Erie County

*Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)*

All Governmental Fund Types

For the Year Ended December 31, 2020

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special</u>	
Cash Receipts			
Property Taxes	\$ 4,432,629	\$ -	\$ 4,432,629
Intergovernmental	27,172	899,537	926,709
Charges for Services	2,513,822	-	2,513,822
Miscellaneous	269,385	-	269,385
<i>Total Cash Receipts</i>	<u>7,243,008</u>	<u>899,537</u>	<u>8,142,545</u>
Cash Disbursements			
Current:			
Health:			
Salaries	355,880	-	355,880
Fringe Benefits	88,092	-	88,092
Supplies and Materials	25,825	-	25,825
Contract Services	5,322,809	788,749	6,111,558
Utilities	8,595	-	8,595
Software, Maintenance & Support	30,659	-	30,659
Insurance	11,138	-	11,138
Subscriptions & Dues	13,405	-	13,405
Rentals	10,377	-	10,377
Taxes and Related Fees	88,041	-	88,041
Other Expenses	4,588	-	4,588
Attorney Fees	25,683	-	25,683
Conference & Meeting Expenses	15,357	-	15,357
Beacon House	77,714	-	77,714
Capital Outlay	33,045	-	33,045
<i>Total Cash Disbursements</i>	<u>6,111,208</u>	<u>788,749</u>	<u>6,899,957</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>1,131,800</u>	<u>110,788</u>	<u>1,242,588</u>
Other Financing Receipts/(Disbursements)			
Advances In	50,000	-	50,000
Advances Out	-	(50,000)	(50,000)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	1,181,800	60,788	1,242,588
<i>Fund Cash Balances, January 1</i>	<u>4,812,098</u>	<u>238,047</u>	<u>5,050,145</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 5,993,898</u>	<u>\$ 298,835</u>	<u>\$ 6,292,733</u>

See accompanying notes to the financial statements.

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health & Recovery Board of Erie & Ottawa Counties, Erie County, Ohio (the Board) as a body corporate and politic. An eighteen-member Board is the governing Body. The Board's Director and the legislative authorities of the political subdivisions making up the Board appoint the other Board members. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are *Erie and Ottawa Counties*. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. Private and public agencies are the primary service providers, through Board contracts.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Board's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

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 below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Board had the following significant Special Revenue Funds:

OOD Fund – This fund receives grant monies to help empower Ohioans with disabilities through employment, disability determinations, and independence.

Federal AOD Fund – This Fund receives grant monies to help those struggling with alcohol and drug addictions through prevention, treatment, and recovery support services.

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2020

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires the Board to adopt a budget for each fund annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 3.

Capital Assets

The Board records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Board classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes encumbrances outstanding at year end.

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2020

Restricted Fund balance is *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 Trustees can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,223,819	\$7,243,008	\$19,189
Special Revenue	953,579	899,537	(54,042)
Total	<u>\$8,177,398</u>	<u>\$8,142,545</u>	<u>(\$34,853)</u>

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,889,514	\$7,082,031	\$807,483
Special Revenue	933,159	804,902	128,257
Total	<u>\$8,822,673</u>	<u>\$7,886,933</u>	<u>\$935,740</u>

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2020

Note 4 – Deposits and Investments

As required by the Ohio Revised Code, the Erie County Treasurer is custodian for the Board's deposits. The County's deposit and investment pool holds the Board's assets, valued at the Treasurer's reported carrying amount.

Note 5 – Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Board.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Board.

Note 6 – Risk Management

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Board employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries, and the Board contributed an amount equaling 14% percent of participants' gross salaries. The Board has paid all contributions required through December 31, 2020.

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2020

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 9 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	945,823	16,153	961,976
Total	<u>\$945,823</u>	<u>\$16,153</u>	<u>\$961,976</u>

The fund balance of special revenue funds is either restricted or committed. These restricted or committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 10 – Change in Accounting Principle

For 2020, the Board has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Board. In addition, the impact on the Board’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 12 – Deficit Fund Balance

The State Opiate Response grant fund reported a deficit fund balance at December 31, 2020 in the amount of \$13,247. The deficit fund balance resulted from timing differences associated with the disbursement of funds prior to receipt of reimbursements from grantor agencies. The general fund is liable for any deficits in the State Opiate Response grant fund and provides transfers when cash is required.

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Mental Health and Recovery Board of Erie and Ottawa Counties

Erie County

Combined Statement of Receipts, Disbursements, and

Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2019

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property Taxes	\$ 4,257,123	\$ -	\$ 4,257,123
Intergovernmental	2,331,490	954,368	3,285,858
Charges for Services	31,328	-	31,328
Miscellaneous	288,005	-	288,005
<i>Total Cash Receipts</i>	<u>6,907,946</u>	<u>954,368</u>	<u>7,862,314</u>
Cash Disbursements			
Current:			
Health:			
Salaries	362,758	-	362,758
Fringe Benefits	107,620	-	107,620
Supplies and Materials	15,987	-	15,987
Contract Services	5,296,721	931,775	6,228,496
Utilities	13,856	-	13,856
Return of Funding	-	60,071	60,071
Software, Maintenance & Support	26,313	-	26,313
Audit Expense	12,226	-	12,226
Insurance	11,154	-	11,154
Subscriptions & Dues	11,399	-	11,399
Levy Expenses	21,936	-	21,936
Rentals	14,518	-	14,518
Taxes and Related Fees	82,226	-	82,226
Other Expenses	1,431	-	1,431
Attorney Fees	22,407	-	22,407
Conference & Meeting Expenses	14,981	-	14,981
Beacon House	49,489	-	49,489
Capital Outlay	181,097	-	181,097
<i>Total Cash Disbursements</i>	<u>6,246,119</u>	<u>991,846</u>	<u>7,237,965</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>661,827</u>	<u>(37,478)</u>	<u>624,349</u>
Other Financing Receipts/(Disbursements)			
Advances In	-	50,000	50,000
Advances Out	(50,000)	-	(50,000)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	611,827	12,522	624,349
<i>Fund Cash Balances, January 1</i>	<u>4,200,271</u>	<u>225,525</u>	<u>4,425,796</u>
Fund Cash Balances, December 31			
Restricted	466,172	238,047	704,219
Assigned	779,297	-	779,297
Unassigned (Deficit)	3,566,629	-	3,566,629
<i>Fund Cash Balances, December 31</i>	<u>\$ 4,812,098</u>	<u>\$ 238,047</u>	<u>\$ 5,050,145</u>

See accompanying notes to the financial statements.

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health & Recovery Board of Erie & Ottawa Counties, Erie County, Ohio (the Board) as a body corporate and politic. An eighteen-member Board is the governing Body. The Board's Director and the legislative authorities of the political subdivisions making up the Board appoint the other Board members. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are *Erie and Ottawa Counties*. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. Private and public agencies are the primary service providers, through Board contracts.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Board's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

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 below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Board had the following significant Special Revenue Funds:

ODADAS Fund – This Fund receives grant monies to help those struggling with alcohol and drug addictions through prevention, treatment, and recovery support services.

ODMH Fund – This fund receives grant monies to provide financial assistance for providing comprehensive community mental health services to adults with a serious mental illness and to children with a serious emotional disturbance.

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2019

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires the Board to adopt a budget for each fund annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3

Capital Assets

The Board records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Board classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2019

Restricted Fund balance is *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 Trustees can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Board or a Board official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,498,141	\$6,857,946	\$359,805
Special Revenue	1,149,920	1,004,368	(145,552)
Total	<u>\$7,648,061</u>	<u>\$7,862,314</u>	<u>\$214,253</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,950,007	\$7,025,416	\$924,591
Special Revenue	1,238,109	1,073,877	164,232
Total	<u>\$9,188,116</u>	<u>\$8,099,293</u>	<u>\$1,088,823</u>

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 4 – Deposits and Investments

As required by the Ohio Revised Code, the Erie County Treasurer is custodian for the Board's deposits. The County's deposit and investment pool holds the Board's assets, valued at the Treasurer's reported carrying amount.

Note 5 – Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Board.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Board.

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2019, consisted of:

- \$50,000 advanced to the State Opiate Response Grant fund from the General Fund

These advances were made to provide working capital for providing grant services to the consumers of Erie and Ottawa Counties.

Note 7 – Risk Management

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

Mental Health & Recovery Board of Erie & Ottawa Counties

Erie County, Ohio

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Board's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed ten percent (10%) of their gross salaries, and the Board contributed an amount equaling fourteen percent (14%) of participants' gross salaries. The Board has paid all contributions required through December 31, 2019.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 10 – Contingent Liabilities

The Board is a party to a legal proceeding in the Court of Erie County Common Pleas. The Board is of the opinion that ultimate disposition of these proceedings will not have a material effect, if any on the financial condition of the Board.

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



**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 Board of Erie and Ottawa Counties
Erie County
1907 East Perkins Avenue
Sandusky, Ohio 44870

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 cash balances, receipts, and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, (the Board) and have issued our report thereon dated June 30, 2021, wherein we noted the Board followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Board.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

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 financial statements. 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*.

Board's Response to Findings

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Board's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
June 30, 2021

Mental Health and Recovery Board of Erie and Ottawa Counties
Erie County
Schedule of Findings and Responses
December 31, 2020 and 2019

1. SUMMARY OF AUDITOR'S RESULTS

FINDING NUMBER 2020-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Chief Financial Officer and the Board and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Board's internal controls over financial reporting. Misstatements were identified in the following areas:

- Corrections and updates were made to 2020 budgetary disclosures.

We recommend the Board's management take steps to ensure the accurate preparation of the financial statements and note disclosures. By reviewing the financial statements and footnotes and comparing to the templates provided by the Auditor of State, the Board can increase the reliability of the reported financial information.

Officials' Response: The material misstatement was due to the "Total-All Funds" amounts per the Auditor of State ADAMH Regulatory Basis Worksheets inadvertently being placed in the "Special Revenue" fund type line within the 2020 Budgeted vs. Actual Receipts disclosure within Note 3 of the Unaudited Notes to the Financial Statements. The CFO will ensure the information as documented in the ADAMH Regulatory Basis Worksheets are correctly stated within the Unaudited Notes to the Financial Statements in the future.

OHIO AUDITOR OF STATE KEITH FABER



MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/21/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov