



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 Mental Health and Recovery Services of Allen, Auglaize, and Hardin Counties, Allen County, Ohio (the Board), as of and for the year ended December 31, 2013, 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 December 31, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General, Mental Health Systems, 501 Medicaid Match, MH Community of Care, and Facility Management Funds thereof for the year 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 described in Note 10, the Board restated the fund balance for General Fund, Mental Health Systems, 501 Medicaid Match, Facility Management Fund, and Other Governmental Funds as of January 1, 2013. Our opinion is not modified with respect to this matter.

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 Award 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 June, 25, 2014, 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

June 25, 2014

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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 YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

As management of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties (the Board), we are providing this overview of the Board's financial activities for the year ended December 31, 2013. Please read this overview in conjunction with the Board's basic financial statements, which follow.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2013 are as follows:

- Net position decreased \$785,087. This was due in part to decreasing funding and increased provider service billings compared to the prior year.
- General receipts accounted for \$1,879,145 (not including transfers and advances) or 34 percent of all receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$3,605,979 or 66 percent of total receipts of \$5,485,124.
- The Board had \$6,270,211 (not including transfers and advances) in disbursements related to governmental activities; only \$3,596,479 of these disbursements were offset by program specific grants and contributions. General receipts of \$1,879,145 were inadequate to provide for these programs and \$785,087 of remaining fund balance were used to bridge the funding gap.
- The Board advanced \$484,875 from the General Fund to various Special Revenue Funds to cover deficits. Advances of \$2,092,985 made from the General Fund in 2012 were paid back to the general fund for total Net advances in 2013 of (\$1,608,110).
- As of the close of 2013, The Board's governmental funds reported combined ending fund balances of \$4,221,175.
- At the close of the 2013, unassigned fund balance was \$1,885,258.
- As of the close of 2013, the Board had cumulated deposit amounts totaling \$4,221,175.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

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.

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 2013, 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 BOARD'S MOST SIGNIFICANT FUNDS

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

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.

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, Mental Health Systems Fund, Facility Management Fund and the 501 Medicaid Match 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 46 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 5 major funds. The basic governmental fund financial statements can be found starting on page 15 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 23 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 2013 compared to 2012.

**Table 1
Net Position – Cash Basis**

	Governmental Activities	
	2013	2012
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$4,221,175	\$5,006,262
Net Position:		
Restricted for:		
Other Purposes	768,338	2,232,239
Capital Projects	350,735	234,455
Unrestricted	3,102,102	2,539,568
Total Net Position	\$4,221,175	\$5,006,262

Total net position decreased (\$785,087).

Table 2 shows the changes in net position for the year ended December 31, 2013. The Board has prepared financial statements following the format prescribed by GASB Statement 34, receipts and disbursement comparison to year 2012 is presented.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2013	2012
Receipts		
Program Cash Receipts:		
Operating Grants and Contributions	\$3,596,479	\$7,452,742
Charges for Services	9,500	33,636
Total Program Cash Receipts	3,605,979	7,486,378
General Receipts:		
Property Taxes	1,261,892	1,431,975
Intergovernmental Contributions	330,736	171,778
Rent	180,181	180,644
Other Receipts	106,336	137,972
Total General Receipts	1,879,145	1,923,034
Total Receipts	5,485,124	9,409,412
Disbursements:		
Environmental Health:		
General Government	1,635,163	1,815,275
Health Services	4,502,074	7,326,785
Employee Benefits	132,974	131,734
Total Disbursements	6,270,211	9,273,794
Change in Net Position	(785,087)	135,618
Net Position Beginning of Year	5,006,262	4,870,644
Net Position End of Year	<u>\$4,221,175</u>	<u>\$5,006,262</u>

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. In 2012, 20 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 80 percent of the Board's total receipts in year 2012. 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 2012 have been presented.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Governmental Activities

Table 3		
Functions/Program	2013 Total Cost of Services	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	\$6,270,211	\$2,664,232

Table 3		
Functions/Program:	2012 Total Cost of Services	2012 Net Cost of Services
Governmental Activities:		
Health Services	\$7,326,785	\$1,787,416
General Government	1,815,275	
Employee Benefits	131,734	
Total Governmental Activities	\$9,273,794	\$1,787,416

The Board's reliance upon intergovernmental revenues, property tax receipts, and other general revenues is apparent as 34 percent of governmental activities are supported through these general receipts for 2013.

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 end of 2013, the Board's governmental funds reported combined ending fund balances of \$4,221,175, a decrease of (\$785,087).

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2013:

	Fund Balance 12/31/2012	Fund Balance 12/31/2013	Increase (Decrease)
General	\$2,541,044	\$3,102,102	\$561,058
Mental Health Community of Care Fund			
Mental Health Systems Fund	627,055		(627,055)
Facility Management Fund	304,755	430,113	125,358
501 Medicaid Match Fund	866,526		(866,526)
Other Governmental Funds	666,882	688,960	22,078
Total	\$5,006,262	\$4,221,175	(\$785,087)

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 YEAR ENDED DECEMBER 31, 2013
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 course of 2013, The Board amended its general fund budget throughout the year. For the general fund, original budgeted receipts were \$1,625,419 and final budgeted receipts were \$1,481,733. Actual receipts for fiscal year 2013 were \$1,619,039. This represents a \$137,306 increase over final budgeted receipts.

General fund original appropriations (appropriated expenditures) were \$2,625,419 and final budgeted appropriations were \$2,005,313. The actual budget basis expenditures 2013 totaled \$2,010,175. This represents a \$4,862 increase over the final budget appropriations.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

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

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

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

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

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

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

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

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

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

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

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,221,175
Total Assets	4,221,175
 Net Position:	
Restricted for:	
Capital Projects	350,735
Other Purposes	768,338
Unrestricted	3,102,102
Total Net Position	\$4,221,175

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 YEAR ENDED DECEMBER 31, 2013**

<u>Functions/Programs</u>	<u>Expenditures</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	\$4,502,074	\$9,500	\$2,648,461	(\$1,844,113)
General Government:				
Salaries	383,375		383,375	
Advertising and Printing	17,889		5,505	(12,384)
Professional Services	883,028		298,798	(584,230)
Supplies	8,999		8,456	(543)
Postage and Shipping	500		500	
Communications	9,402		9,402	
Dues	18,392		18,392	
Rentals	10,455		10,455	
Utilities	14,803			(14,803)
Maintenance	188,888		2,690	(186,198)
Insurance	22,893		22,893	
Travel and Training	37,893		37,893	
Buildings/Equipment	27,157		7,327	(19,830)
Other Exp.	9,225		7,094	(2,131)
Reimbursements	2,264		2,264	
Employee Benefits:				
Public Employee's Retirement	52,116		52,116	
Health Insurance	71,041		71,041	
Life Insurance	1,679		1,679	
Medicare	5,397		5,397	
Workers' Comp.	2,741		2,741	
Total Governmental Activities	\$6,270,211	\$9,500	\$3,596,479	(2,664,232)
General Revenues:				
Taxes				1,261,892
Intergovernmental Revenue				330,736
Rent Income				180,181
Other				106,336
Total General Revenues				1,879,145
Change in Net Position				(785,087)
Net Position - Beginning of Year				5,006,262
Net Position - End of Year				\$4,221,175

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 YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types						Total Governmental Funds
	General	Mental Health Systems	501 Medicaid Match	MH Community of Care	Facility Management	Other Governmental Funds	
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$3,102,102				\$430,113	\$688,960	\$4,221,175
Total Assets	3,102,102				430,113	688,960	4,221,175
Liabilities and Fund Balance							
Fund Balance:							
Restricted						338,225	338,225
Committed	1,216,844				430,113		1,646,957
Assigned						350,735	350,735
Unassigned	1,885,258						1,885,258
Total Fund Balances	\$3,102,102	\$0	\$0	\$0	\$430,113	\$688,960	\$4,221,175

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 YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types						Totals (Memorandum Only)
	General	Mental Health Systems	501 Medicaid Match	MH Community of Care	Facility Management	Other Governmental Funds	
Receipts:							
Taxes	\$1,261,892						\$1,261,892
Grants		\$981,080		\$914,580		\$1,700,819	3,596,479
Intergovernmental Revenue	330,736						330,736
Charges for Services	9,500						9,500
Rent					\$180,181		180,181
Other	16,911					89,425	106,336
Total Cash Receipts	1,619,039	981,080		914,580	180,181	1,790,244	5,485,124
Disbursements:							
Current Operations:							
Health Services:							
Contract - Services	1,434,597	832,421	\$8,950	732,080		1,494,026	4,502,074
General Government:							
Salaries		175,147		208,228			383,375
Advertising and Printing	12,384	2,583		2,922			17,889
Professional Services	562,576	97,080		4,671	750	217,951	883,028
Supplies	543	4,685		3,771			8,999
Postage and Shipping		500					500
Communications		4,966		4,436			9,402
Dues		3,065		15,327			18,392
Rentals		5,759		4,696			10,455
Utilities					14,728	75	14,803
Maintenance		2,412		278	37,290	148,908	188,888
Insurance				22,893			22,893
Travel and Training		20,683		17,210			37,893
Buildings/Equipment		5,078		2,248		19,831	27,157
Other Exp.	75	357			2,055	6,738	9,225
Reimbursements						2,264	2,264
Employee Benefits:							
Public Employee's Retirement		27,425		24,691			52,116
Life Insurance		791		888			1,679
Health Insurance		41,062		29,979			71,041
Medicare		2,456		2,941			5,397
Workers' Comp.		2,741					2,741
Total Cash Disbursements	2,010,175	1,229,211	8,950	1,077,259	54,823	1,889,793	6,270,211
Total Receipts Over/(Under) Disbursements	(391,136)	(248,131)	(8,950)	(162,679)	125,358	(99,549)	(785,087)
Other Financing Receipts/(Disbursements):							
Advances In	2,092,985	7,878		162,679		314,318	2,577,860
Advances (Out)	(484,875)	(386,802)				(1,706,183)	(2,577,860)
Transfers (Out)	(655,916)		(857,576)			(207,192)	(1,720,684)
Transfers In						1,720,684	1,720,684
Total Other Financing Receipts/(Disbursements)	952,194	(378,924)	(857,576)	162,679		121,627	
Net Change in Fund Balance	561,058	(627,055)	(866,526)		125,358	22,078	(785,087)
Fund Cash Balances, January 1, 2013 (Restated)	2,541,044	627,055	866,526		304,755	666,882	5,006,262
Fund Cash Balances, December 31, 2013	<u>\$3,102,102</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$430,113</u>	<u>\$688,960</u>	<u>\$4,221,175</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 RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$1,431,976	\$1,330,477	\$1,261,892	(\$68,585)
Intergovernmental Revenue	171,778	126,471	330,736	204,265
Charges for Services	11,000	9,500	9,500	
Contributions	665			
Other	10,000	15,285	16,911	1,626
Total Cash Receipts	<u>1,625,419</u>	<u>1,481,733</u>	<u>1,619,039</u>	<u>137,306</u>
Disbursements:				
Current Operations:				
Health Services:				
Contract - Services	1,904,687	1,468,277	1,434,597	33,680
General Government:				
Advertising and Printing	10,432	13,627	12,384	1,243
Professional Services	706,835	522,791	562,576	(39,785)
Supplies		543	543	
Maintenance	255			
Travel and Training	3,130			
Other Exp.	80	75	75	
Total Cash Disbursements	<u>2,625,419</u>	<u>2,005,313</u>	<u>2,010,175</u>	<u>(4,862)</u>
Total Receipts Over/(Under) Disbursements	<u>(1,000,000)</u>	<u>(523,580)</u>	<u>(391,136)</u>	<u>132,444</u>
Other Financing Receipts/(Disbursements):				
Advances In			2,092,985	2,092,985
Advances (Out)			(484,875)	(484,875)
Transfers (Out)			(655,916)	(655,916)
Transfers In				
Total Other Financing Receipts/(Disbursements)			<u>952,194</u>	<u>952,194</u>
Net Change in Fund Balance	(1,000,000)	(523,580)	561,058	1,084,638
Fund Cash Balances, January 1, 2013	<u>2,541,044</u>	<u>2,541,044</u>	<u>2,541,044</u>	
Prior Year Encumbrances Appropriated				
Fund Cash Balances, December 31, 2013	<u>\$1,541,044</u>	<u>\$2,017,464</u>	<u>\$3,102,102</u>	<u>\$1,084,638</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 RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MENTAL HEALTH SYSTEMS FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/(Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes				
Grants	\$1,850,872	\$981,080	\$981,080	
Intergovernmental Revenue				
Charges for Services				
Contributions				
Rent				
Other				
Total Cash Receipts	<u>1,850,872</u>	<u>981,080</u>	<u>981,080</u>	
Disbursements:				
Current Operations:				
Health Services:				
Contract - Services	1,233,172	832,421	832,421	
General Government:				
Salaries	326,132	175,147	175,147	
Advertising and Printing	5,644	2,583	2,583	
Professional Services	38,373	97,080	97,080	
Supplies	7,961	4,685	4,685	
Postage and Shipping	947	500	500	
Communications	8,397	4,966	4,966	
Dues	16,311	3,065	3,065	
Rentals	10,321	5,759	5,759	
Utilities	415			
Maintenance	6,888	2,412	2,412	
Insurance	23,153			
Travel and Training	40,280	20,682	20,683	(\$1)
Buildings/Equipment		5,078	5,078	
Other Exp.	1,144	357	357	
Reimbursements				
Employee Benefits:				
Public Employee's Retirement	45,172	27,425	27,425	
Life Insurance	2,192	791	791	
Health Insurance	73,519	41,062	41,062	
Medicare	4,602	2,456	2,456	
Workers' Comp.	6,249	2,741	2,741	
Total Cash Disbursements	<u>1,850,872</u>	<u>1,229,210</u>	<u>1,229,211</u>	(1)
Total Receipts Over/(Under) Disbursements		(248,130)	(248,131)	(1)
Other Financing Receipts/(Disbursements):				
Advances In			7,878	7,878
Advances (Out)			(386,802)	(386,802)
Transfers (Out)				
Transfers In				
Total Other Financing Receipts/(Disbursements)			<u>(378,924)</u>	<u>(378,924)</u>
Net Change in Fund Balance		(248,130)	(627,055)	(378,925)
Fund Cash Balances, January 1, 2013	<u>627,055</u>	<u>627,055</u>	<u>627,055</u>	
Prior Year Encumbrances Appropriated				
Fund Cash Balances, December 31, 2013	<u>\$627,055</u>	<u>\$378,925</u>	<u>\$0</u>	<u>(\$378,925)</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 RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
501 MEDICAID MATCH
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Total Cash Receipts				
Disbursements:				
Current Operations:				
Health Services:				
Contract - Services		\$8,950	\$8,950	
Total Cash Disbursements		8,950	8,950	
Total Receipts Over/(Under) Disbursements		(8,950)	(8,950)	
Other Financing Receipts/(Disbursements):				
Transfers (Out)			(857,576)	(\$857,576)
Total Other Financing Receipts/(Disbursements)			(857,576)	(857,576)
Net Change in Fund Balance		(8,950)	(866,526)	(857,576)
Fund Cash Balances, January 1, 2013	\$866,526	866,526	866,526	
Prior Year Encumbrances Appropriated				
Fund Cash Balances, December 31, 2013	<u>\$866,526</u>	<u>\$857,576</u>	<u>\$0</u>	<u>(\$857,576)</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 RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MH COMMUNITY OF CARE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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		\$914,580	\$914,580	
Total Cash Receipts		914,580	914,580	
Disbursements:				
Current Operations:				
Health Services:				
Contract - Services		730,405	732,080	(\$1,675)
General Government:				
Salaries		209,206	208,228	978
Advertising and Printing		2,922	2,922	
Professional Services		4,671	4,671	
Supplies		3,709	3,771	(62)
Communications		4,436	4,436	
Dues		15,327	15,327	
Rentals		4,696	4,696	
Maintenance		278	278	
Insurance		22,893	22,893	
Travel and Training		16,707	17,210	(503)
Buildings/Equipment		2,248	2,248	
Employee Benefits:				
Public Employee's Retirement		28,821	24,691	4,130
Life Insurance		888	888	
Health Insurance		30,996	29,979	1,017
Medicare		2,951	2,941	10
Total Cash Disbursements		1,081,154	1,077,259	3,895
Total Receipts Over/(Under) Disbursements		(166,574)	(162,679)	3,895
Other Financing Receipts/(Disbursements):				
Advances In			162,679	162,679
Total Other Financing Receipts/(Disbursements)			162,679	162,679
Net Change in Fund Balance		(166,574)		166,574
Fund Cash Balances, January 1, 2013				
Prior Year Encumbrances Appropriated				
Fund Cash Balances, December 31, 2013	\$0	(\$166,574)	\$0	\$166,574

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
FACILITY MANAGEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/(Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Rent	\$180,181	\$176,847	\$180,181	\$3,334
Total Cash Receipts	<u>180,181</u>	<u>176,847</u>	<u>180,181</u>	<u>3,334</u>
Disbursements:				
Current Operations:				
General Government:				
Professional Services	1,109	750	750	
Supplies	20			
Rentals	84	1,120		1,120
Utilities	15,728	13,602	14,728	(1,126)
Maintenance	71,039	37,296	37,290	6
Other Exp.	1,759	2,055	2,055	
Total Cash Disbursements	<u>89,739</u>	<u>54,823</u>	<u>54,823</u>	
Total Receipts Over/(Under) Disbursements	90,442	122,024	125,358	3,334
Net Change in Fund Balance	90,442	122,024	125,358	3,334
Fund Cash Balances, January 1, 2013	<u>304,755</u>	<u>304,755</u>	<u>304,755</u>	
Prior Year Encumbrances Appropriated				
Fund Cash Balances, December 31, 2013	<u><u>\$395,197</u></u>	<u><u>\$426,779</u></u>	<u><u>\$430,113</u></u>	<u><u>\$3,334</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 YEAR ENDED DECEMBER 31, 2013**

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 (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS). The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

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

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.

The statement of net position presents the cash balance of the governmental activities of the Board at year end. The statement of activities compares disbursements and program receipts for each program or function of the Board's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

B. Fund Accounting

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

- 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.

Mental Health Systems Fund – Used to account for proceeds received from the State of Ohio to support general community mental health services to all Ohioans, to support community mental health services for adults and children who meet ODMH criteria for severe mental disabilities or emotional disturbances and to support systematic improvements in service delivery.

501 Medicaid Match Fund – Used to account for federal financial participation amounts for Medicaid eligible mental health clients.

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 YEAR ENDED DECEMBER 31, 2013
(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 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 year.

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 YEAR ENDED DECEMBER 31, 2013
(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 the Health District 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 of Health 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 of Health, 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 YEAR ENDED DECEMBER 31, 2013
(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. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

K. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, 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 December 31, 2013, was \$4,221,175.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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 2013 represent the collection of 2013 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 2012 were levied April 1, 2012 on the values listed as of December 31, 2011. 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	\$1,729,983,080	\$898,632,650	\$506,832,810
Public Utilities	94,740,760	23,492,875	25,401,570
Total Assessed Value	<u>\$1,824,723,840</u>	<u>\$922,125,525</u>	<u>\$532,234,380</u>

5. INTERFUND BALANCES

Interfund cash advances for the year ended December 31, 2013, were as follows:

	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General Fund	\$484,875	
Mental Health Systems Fund		\$7,878
MH Community of Care		162,679
Other Governmental Funds		314,318
Total Inter-fund Receivables Payables	<u>\$484,875</u>	<u>\$484,875</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. 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%.

7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Mental Health & 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 to, 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 2013). The employer contribution rate for 2013 was 14% of annual covered payroll. Mental Health & Recovery Services Board's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$52,116, \$45,172, and \$68,106 respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

8. POSTEMPLOYMENT 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. 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 2013, 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 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

8. POSTEMPLOYMENT BENEFIT (Continued)

The rates stated above are the contractually required contribution rates for OPERS. The Board's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$14,890, \$12,874, and \$19,410 respectively; 100 percent has been contributed for all years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of 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.

9. 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 December 31, 2013 the Board had designated \$1,216,844 for possible future financial shortfalls.

10. PRIOR PERIOD FUND BALANCE ADJUSTMENT

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

Fund	Fund Balance 12/31/2012	Prior Period Adjustment	Restated Fund Balance 1/1/2013
General Fund	\$2,543,762	(\$2,718)	\$2,541,044
Mental Health Systems		627,055	627,055
501 Medicaid Match	872,357	(5,831)	866,526
Facility Management Fund	325,695	(20,940)	304,755
Other Governmental Funds	1,264,448	(597,566)	666,882

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. PRIOR PERIOD FUND BALANCE ADJUSTMENT (Continued)

Adjustments necessary due to mis-postings between funds that were discovered after CY2012 audit was completed. The major mis-posting being the characterization by ODMH that targeted Hot-Spot allocations were to be identified as 505 (Mental Health Systems) funds. These were posted to a "ODMH Miscellaneous State Fund" in CY2012.

11. INTERFUND TRANSFERS

During 2013 the following transfers were made:

	Transfer Out	Transfer In
General Fund	\$655,916	
501 Medicaid Match	857,576	
Other Governmental Funds	207,192	\$1,720,684
Total	\$1,720,684	\$1,720,684

Transfers represent the allocation of unrestricted receipts collected in various ODMH and ODADAS Medicaid funds. The Federal Financial Participation amounts continued to be accounted for in the Medicaid funds until it was determined that all of these payments had run their course. The funds were then closed out using transfers to cover any deficits with the balance coming from the General Fund.

12. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Health District 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:

Fund Balances	General Fund	Mental Health Systems	501 Medicaid Match	MH Community of Care	Facility Management	Other Governmental Funds	Total
Restricted for							
Services per ODMH/ODADAS allocation guidelines						\$338,225	\$338,225
Total Restricted						338,225	338,225
Committed to:							
Budget Stabilization	\$1,216,844						1,216,844
Facility Management					\$430,113		430,113
Total Committed	1,216,844				430,113		1,646,957
Assigned to:							
Capital Projects						350,735	350,735
Total Assigned						350,735	350,735
Unassigned (deficits)	1,885,258				-		1,885,258
Total Fund Balances	\$3,102,102	\$0	\$0	\$0	\$430,113	\$688,960	\$4,221,175

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 (ODMHAS effective 7-1-13):			
Block Grants for Community Mental Health Services	93.958	01-BG01PLAN-13	\$121,187
	93.958	01-BG01PLAN-14	<u>51,836</u>
Total Block Grants for Community Mental Health Services			173,023
Social Services Block Grant	93.667	FY13	95,466
Medical Assistance Program	93.778	FY12	33,324
Children's Health Insurance Program	93.767	FY12	135
Total Passed Through Ohio Department of Mental Health:			<u>301,948</u>
Passed Through Ohio Department of Alcohol and Drug Addiction Services (ODMHAS effective 7-1-13):			
FEDERAL PER CAPITA - Treatment	93.959	01-BGD-FY13	260,219
	93.959	01-BGD-FY14	219,679
FEDERAL PER CAPITA - Prevention	93.959	01-BGD-FY13	95,476
	93.959	01-BGD-FY14	99,699
Women's Treatment	93.959	FY13	9,145
	93.959	FY14	12,804
Prevention Services	93.959	FY13	5,097
	93.959	FY14	23,333
Circle for Recovery	93.959	FY13	22,176
	93.959	FY14	31,870
UMADAOP	93.959	0205004-00-Ump-13	58,837
	93.959	0205004-00-Ump-14	<u>82,564</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			920,899
Medical Assistance Program	93.778	FY12	3,326
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	FY13	<u>25,000</u>
Total Passed Through Ohio Department of Alcohol and Drug Addiction Services			<u>949,225</u>
Total Federal Assistance - U.S. Department of Health and Human Services			<u>\$1,251,173</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures.

The total expenditures for the Medical Assistance Program (CFDA# 93.778) was \$36,650

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award 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.

NOTE C – NEW OHIO MHAS

As of July 1, 2013, the Departments of Mental Health (ODMH) and Alcohol & Drug Addiction Services (ODADAS) were consolidated into the Department of Mental Health and Addiction Services (MHAS).



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 the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 25, 2014, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles. Also as noted in Note 10, the Board restated the fund balance for General Fund, Mental Health Systems, 501 Medicaid Match, Facility Management 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-002 described in the accompanying schedule of findings 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 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State

Columbus, Ohio

June 25, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 year ended December 31, 2013. 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 each of the Board's major federal programs 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 year ended December 31, 2013.

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

June 25, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Block Grants for Prevention and Treatment of Substance Abuse CFDA #93.959
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING 2013-001

1. Transfers - Noncompliance

Ohio Rev. Code Section 5705.14(E) states money may be transferred from the general fund to any other fund of the subdivision. Except in the case of transfer pursuant to division (E) of this section, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

On July 1, 2013, the following transfers were made to close-out the Medicaid Funds that were taken over by the State; however, they were not approved by the Board:

- \$297,278, \$47,867, and \$857,576 from the General Fund, ODMH ARRA Fund, and 501 MCD Match Fund, respectively, was transferred to the ODMH Medicaid Fund and the ODMH Medicaid SChip Fund in the amount of \$730,205 and \$472,516, respectively.
- \$68,092, \$24,873, and \$134,452 from the General Fund, ODADAS ARRA Fund, and ODADAS Match Fund, respectively, was transferred to the ODADAS Medicaid Fund and the ODADAS Medicaid SChip Fund in the amount of \$52,986 and \$174,431, respectively.

Also, a transfer of \$290,545 from the General Fund to the Capital Projects Fund was made on October 16, 2013. The Board approved the transfer through the current year tax budget that was approved on December 11, 2013, therefore without the approval prior to the posting of the transfer to the ledgers. Failure to approve transfers could result in transfers being posted to the system that are not appropriate or accurate as approved by the Board.

A resolution should be passed by the Board approving all transfers prior to the posting to the ledgers to document the agreement of the Board's action. The resolution needs to specify the funds that expend and receive the funds and should be separate from tax budget that is approved after the fact.

Official's Response:

The Board Finance Committee agrees that Transfers should have been brought to the Board for approval; however, understand the logic and reasoning for not doing so.

The transfers were initially meant to be advances at year end and were approved by the board; however, when the GASB statements were being prepared it was decided by the COO to close out all the Medicaid funds. The closeout could have been done through journal entries. However, because of the changes the state made in how they reimburse the board during the Medicaid run-out and how the Board accounting system imports the entries from MACSIS, it was creating deficits in some funds and surpluses in others. Journal entries would have been time prohibitive so it was decided to just make them Transfers.

All other transfer this year and in the past have always been taken to the board and approved properly.

FINDING 2013-002

2. Classification of Financial Activity – Material Weakness

The Board should have procedures and controls in place to provide that all financial transactions are correctly recorded in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

The Board used a governmental accounting software package to record daily financial activity. At year end, the system reports were utilized to manually prepare the annual financial statements. The errors below were identified in the recording of daily financial activity or subsequently in preparing the annual financial statements:

The accompanying financial statements have been adjusted to correctly classify these transactions listed below:

- Homestead and rollback receipts in the amount of \$46,335 in the General Fund, were posted as taxes instead of intergovernmental revenue.
- Personal Property Tax Replacement receipts, in the amount of \$157,930 in the General Fund, were posted as taxes instead of intergovernmental revenue.
- An \$80,000 intrafund transfer in and out was reported on the General Fund Budget and Actual Statement, but should have been eliminated.
- For Other Governmental Funds, the Board reported \$338,225 as Assigned Fund Balance; however, in accordance with GASB 54, this amount should be reported as Restricted Fund Balance.
- Net Position restricted for other purposes in the amount of \$768,338 were recorded as unrestricted on the Statement of Net Position.
- An Advance In of \$162,679 was recorded as a Transfer In on the Budget and Actual Statement for MH Community of Care Fund.
- Supplies for \$20, rentals for \$84 and maintenance of \$15,728 were not recorded in the original budget column on the Budget and Actual Statement for the Facility Management Fund.
- There were errors noted in the presentation of program revenues and general revenues on the Statement of Activities. The following functions in program revenues - Operating Grants and Contributions column were overstated by: Advertising & Printing \$12,384, Professional Services \$584,230, Supplies \$543, Utilities \$14,803, Maintenance \$186,198, Buildings/Equipment \$19,830, Other Expenses \$2,130. The following function was understated in program revenues - Operating Grants and Contributions column: Contract Services \$818,111. The General Revenue Rent Income was also understated by \$2,007.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Board's ability to make sound financial decisions, the Board's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner.

The Board should review the Auditor of State Bulletins and other resources available for guidance in an effort to correctly classify receipts, expenditures, and fund balances.

**FINDING 2013-002
(Continued)**

Official's Response:

The Board Finance Committee (acting as audit committee) does not agree that the "classification" issues should not be a report level item and do not understand why the Board COO was not given the opportunity to correct the GASB statements as many other auditors do as long as the audit was not finalized. These are only errors in the preparation of the GASB statement and are not errors within the Board accounting system. The Finance Committee feels that additionally, there should have been some leeway in correcting these items given the fact that the previous auditors were instrumental in how the statements were prepared dating back to the original GASB 34 & 54 implementations.

The classification issues identified have been corrected, but have been prepared as such for the last several years with the instruction of the previous auditors when GASB's 34 & 54 were implemented.

The Board does have procedures and controls in place to ensure proper classification, however, the GASB statement must be prepared manually because all of the Board activity is tracked and prepared on a fiscal year basis to coincide with the federal and state allocations and reports. The Board will seek permission from the county audit to move to a fiscal year with the county which should alleviate many of these issues.

The changes will be implemented in upcoming GASB statements.

Auditor's Conclusion:

It is the Board's responsibility under Ohio Rev. Code 117.38 to prepare and present accurate financial statements annually for audit and for proper presentation of all GASBs that affect the entity.



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

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
JULY 31, 2014**