

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

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2017***







# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Services Board of Allen, Auglaize and Hardin Counties is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 6, 2018

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**METAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDING COUNTIES  
ALLEN COUNTY**  
For the year ended June 30, 2017

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT OF INDEPENDENT AUDITORS**

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

To the Members of the Governing Board:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, Ohio (The Board), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, Ohio, as of June 30, 2017, and the respective changes in cash financial position and the respective budgetary comparison for the General and Mental Health Community of Care funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, Ohio's basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* and is not a required part of the financial statements.

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

Other Information

The management's discussion and analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



***Charles E. Harris & Associates, Inc.***  
December 18, 2017



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

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As management of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties (the Board), we are providing this overview of the Board's financial activities for the year ended June 30, 2017. Please read this overview in conjunction with the Board's basic financial statements, which follow.

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

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended June 30, 2017 are as follows:

- Net Position increased \$618,297. This was due in part to decreasing funding and increased provider service billings compared to the prior year.
- General receipts accounted for \$5,066,052 (not including transfers) in receipts or 56 percent of all receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$4,003,773 or 44 percent of total receipts of \$9,069,825.
- The Board had \$8,451,528 in disbursements related to governmental activities; only \$4,003,773 of these disbursements were offset by program specific grants and contributions. General receipts of \$4,447,755 were adequate to provide for these programs.
- As of June 30, 2017, The Board's governmental funds reported combined ending fund balances of \$5,651,949.
- As of June 30, 2017, unassigned fund balance was \$3,713,718.
- As of June 30, 2017, the Board had cumulated deposit amounts totaling \$5,651,949.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**The Statement of Net Position – Cash Basis and Statement of Activities - Cash Basis** provide information about the activities of the whole Board, presenting both an aggregate view of The Board's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

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**Basis of Accounting**

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

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

**REPORTING THE BOARD AS A WHOLE**

The statement of Net Position and the statement of activities reflect how the Board did financially during the year ended June 30, 2017, within the limitations of the cash basis of accounting. The Statement of Net Position – Cash Basis presents the cash balances of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

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

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

**REPORTING THE HEALTH DISTRICT'S MOST SIGNIFICANT FUNDS**

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

**Governmental Funds** - The Board's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Board's governmental operations and

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

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 and the Community Mental Health Services State Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Board maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all four major funds. The basic governmental fund financial statements can be found starting on page 12 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 16 of this report.

**THE BOARD AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the Board as a whole. Table 1, below, provides a summary of the Board's Net Position for the year ended June 30, 2017 compared to 2016.

**Table 1  
Net Position – Cash Basis**

	<b>Governmental Activities 6-30-17</b>	<b>Governmental Activities 6-30-16</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$5,651,949	\$5,033,652
<b>Net Position</b>		
Restricted for:		
Other Purposes	446,545	424,026
<b>Unrestricted</b>	5,205,404	4,559,626
<b>Total Net Position</b>	<b>\$5,651,949</b>	<b>\$5,033,652</b>

Total assets increased \$618,297.

Table 2 shows the changes in Net Position for the year ended June 30, 2017. The Board has prepared financial statements following the format prescribed by GASB Statement 34, receipts and disbursement comparison to year 2016 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 JUNE 30, 2017  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>6/30/2017</b>	<b>6/30/2016</b>
<b>Receipts</b>		
Program Cash Receipts		
Operating Grants and Contributions	\$4,003,773	\$3,784,816
Total Program Cash Receipts	4,003,773	3,784,816
General Receipts		
Property Taxes	4,551,665	4,451,326
Intergovernmental	253,978	410,707
Contributions	100	0
Rent	259,591	239,379
Other Receipts	718	2,485
Total General Receipts	<u>5,066,052</u>	<u>5,103,897</u>
Total Receipts	9,069,825	8,888,713
<b>Disbursements</b>		
Environmental Health		
General Government	2,076,091	1,484,843
Health Services	6,262,740	6,143,538
Employee Benefits	112,697	125,057
Total Disbursements	<u>8,451,528</u>	<u>7,753,438</u>
Change in Net Position	618,297	1,135,275
Net Position Beginning of Year	<u>5,033,652</u>	<u>3,898,377</u>
<b>Net Position End of Year</b>	<u><u>\$5,651,949</u></u>	<u><u>\$5,033,652</u></u>

For the year ended June 30, 2017, 56 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 44 percent of the Board's total receipts for that same time period. In 2016, 57 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 43 percent of the Board's total receipts in year 2015. Federal operating grants and state funds awarded for specific programs or purposes primarily make up these receipts.

**Total Cost versus Net Cost of Services**

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. The “net cost” amount represents the cost of those services supported by property tax receipts and intergovernmental revenues. Comparisons to 2016 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 JUNE 30, 2017  
UNAUDITED  
(Continued)**

<b>Functions/Program</b>	<b>Table 3 6-30-16 Total Cost of Services</b>	<b>6-30-16 Net Cost of Services</b>
Governmental Activities:		
Health Services	\$6,143,538	\$2,907,573
General Government	1,484,843	1,061,049
Employee Benefits	125,057	0
Total Governmental Activities	<u>\$ 7,753,438</u>	<u>\$3,968,622</u>

<b>Functions/Program</b>	<b>Table 3 6-30-17 Total Cost of Services</b>	<b>6-30-17 Net Cost of Services</b>
Governmental Activities:		
Health Services	\$6,441,939	\$3,052,947
General Government	1,896,891	1,394,808
Employee Benefits	112,697	0
Total Governmental Activities	<u>\$8,451,527</u>	<u>\$4,447,755</u>

The Board's reliance upon intergovernmental revenues, property tax receipts, and other general revenues is apparent as 53 percent of governmental activities are supported through these general receipts for the year ended June 30, 2017.

**THE BOARD'S FUNDS**

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

As of the year ended June 30, 2017, the Board's governmental funds reported combined ending fund balances of \$5,651,949, an increase of \$618,297.

The schedule below indicates the fund balance and the total change in fund balance as of the year ended June 30, 2017:

	<b>Fund Balance 6/30/2017</b>	<b>Fund Balance 6/30/2016</b>	<b>Increase (Decrease)</b>
General	\$5,185,377	\$4,604,868	\$580,509
MH Community of Care	304,831	121,532	183,299
Other	161,741	307,252	(145,511)
Total	<u>\$5,651,949</u>	<u>\$5,033,652</u>	<u>\$618,297</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

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**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 year ended June 30, 2017, for the general fund, original budgeted receipts were \$5,109,221 and final budgeted receipts were \$5,004,305. Actual receipts for the year ended June 30, 2017 were \$5,066,052. This represents a \$61,747 increase over final budgeted receipts.

General fund original appropriations (appropriated expenditures) were \$5,095,931 and final budgeted appropriations were \$4,625,137. The actual budget basis expenditures totaled \$4,485,543. This represents a \$139,594 decrease over the final budget appropriations.

**CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

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

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

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

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

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

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

**CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

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

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

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2017**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents With Fiscal Agents	<u>\$ 5,651,949</u>
Total Assets	<u><u>\$ 5,651,949</u></u>
<b>Net Position</b>	
Restricted for:	
Other Purposes	446,545
Unrestricted	<u>5,205,404</u>
Total Net Position	<u><u>\$ 5,651,949</u></u>

*See accompanying notes to the basic financial statements*



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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>	<u>Net (Expense) Receipts &amp; Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
Health Services:			
Contract - Services	\$ 6,441,939	\$ 3,388,992	\$ (3,052,947)
General Government:			
Salaries	332,401	332,401	-
Advertising and Printing	3,189	3,189	-
Professional Services	675,210	79,963	(595,247)
Supplies	6,152	6,152	-
Postage and Shipping	448	448	-
Communications	8,213	8,213	-
Dues	18,864	18,864	-
Rentals	3,985	3,985	-
Utilities	21,942	21,942	-
Maintenance	223,912	5,761	(218,151)
Insurance	23,173	-	(23,173)
Travel and Training	12,692	12,692	-
Buildings/Equipment	558,237	-	(558,237)
Other Exp.	36	36	-
Reimbursements	8,437	8,437	-
Employee Benefits:			
Public Employee's Retirement	46,276	46,276	-
Health Insurance	55,970	55,970	-
Life Insurance	1,352	1,352	-
Medicare	4,696	4,696	-
Workers' Comp.	4,403	4,403	-
<b>Total Governmental Activities</b>	<u>\$ 8,451,527</u>	<u>\$ 4,003,772</u>	<u>\$ (4,447,755)</u>
<b>General Revenues:</b>			
Taxes			\$ 4,551,665
Intergovernmental Revenue			253,978
Contributions			100
Rent Income			259,591
Other			718
Total General Revenues			<u>5,066,052</u>
Change in Net Position			618,297
Net Position - Beginning of Year			<u>5,033,652</u>
<b>Net Position - End of Year</b>			<u><u>\$ 5,651,949</u></u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>Governmental Fund Types</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>MH Community of Care</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>				
Equity in Pooled Cash and Cash Equivalents With Fiscal Agent	\$ 5,185,377	\$ 304,831	\$ 161,741	\$ 5,651,949
Total Assets	<u>\$ 5,185,377</u>	<u>\$ 304,831</u>	<u>\$ 161,741</u>	<u>\$ 5,651,949</u>
<b>FUND BALANCE</b>				
Restricted	\$ -	\$ 304,831	\$ 181,770	\$ 486,601
Committed	1,467,385	-	-	1,467,385
Assigned	4,273	-	-	4,273
Unassigned	3,713,719	-	(20,029)	3,693,690
<b>Total Fund Balances</b>	<u>\$ 5,185,377</u>	<u>\$ 304,831</u>	<u>\$ 161,741</u>	<u>\$ 5,651,949</u>

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Governmental Fund Types			Totals (Memorandum Only)
	General	MH Community of Care	Other Governmental Funds	
<b>RECEIPTS:</b>				
Taxes	\$ 4,551,665	\$ -	\$ -	\$ 4,551,665
Grants	-	1,829,160	2,174,612	4,003,772
Intergovernmental Revenue	253,978	-	-	253,978
Contributions	100	-	-	100
Rent	259,591	-	-	259,591
Other	718	-	-	718
Total Cash Receipts	<u>5,066,052</u>	<u>1,829,160</u>	<u>2,174,612</u>	<u>9,069,824</u>
<b>DISBURSEMENTS:</b>				
Current Operations:				
Health Services:				
Contract - Services	3,068,757	1,128,080	2,245,102	6,441,939
General Government:				
Salaries	-	332,401	-	332,401
Advertising and Printing	-	3,189	-	3,189
Professional Services	595,247	13,379	66,584	675,210
Supplies	-	6,152	-	6,152
Postage and Shipping	-	448	-	448
Communications	-	8,213	-	8,213
Dues	-	18,864	-	18,864
Rentals	-	3,985	-	3,985
Utilities	21,942	-	-	21,942
Maintenance	218,151	5,761	-	223,912
Insurance	23,173	-	-	23,173
Travel and Training	-	12,692	-	12,692
Buildings/Equipment	558,237	-	-	558,237
Other Exp.	36	-	-	36
Reimbursements	-	-	8,437	8,437
Employee Benefits:				
Public Employee's Retirement	-	46,276	-	46,276
Life Insurance	-	1,352	-	1,352
Health Insurance	-	55,970	-	55,970
Medicare	-	4,696	-	4,696
Workers' Comp.	-	4,403	-	4,403
Total Cash Disbursements	<u>4,485,543</u>	<u>1,645,861</u>	<u>2,320,123</u>	<u>8,451,527</u>
Net Change in Fund Balance	580,509	183,299	(145,511)	618,297
Fund Cash Balances, July 1, 2016	<u>4,604,868</u>	<u>121,532</u>	<u>307,252</u>	<u>5,033,652</u>
Fund Cash Balances, June 30, 2017	<u>\$ 5,185,377</u>	<u>\$ 304,831</u>	<u>\$ 161,741</u>	<u>\$ 5,651,949</u>

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original Budget	Final Budget	Actual	
<b>REVENUES:</b>				
Taxes	\$ 4,451,326	\$ 4,551,665	\$ 4,551,665	\$ -
Grants	5,000	-	-	-
Intergovernmental Revenue	410,707	187,980	253,978	65,998
Contributions	-	-	100	100
Rent	242,188	263,942	259,591	(4,351)
Other	-	718	718	-
Total Cash Receipts	<u>5,109,221</u>	<u>5,004,305</u>	<u>5,066,052</u>	<u>61,747</u>
<b>DISBURSEMENTS:</b>				
Current Operations:				
Health Services:				
Contract - Services	3,720,529	3,213,492	3,068,757	144,735
General Government:				
Advertising and Printing	325	-	-	-
Professional Services	998,071	595,648	595,247	401
Communications	128	-	-	-
Utilities	-	19,346	21,942	(2,596)
Maintenance	358,629	215,205	218,151	(2,946)
Insurance	18,249	23,173	23,173	-
Buildings/Equipment	-	558,237	558,237	-
Other Exp.	-	36	36	-
Total Cash Disbursements	<u>5,095,931</u>	<u>4,625,137</u>	<u>4,485,543</u>	<u>139,594</u>
Total Receipts Over/(Under) Disbursements	13,290	379,168	580,509	201,341
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers In	-	185,727	-	(185,727)
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>185,727</u>	<u>-</u>	<u>(185,727)</u>
Net Change in Fund Balance	13,290	564,895	580,509	15,614
Fund Cash Balances, July 1, 2016	<u>4,604,868</u>	<u>4,604,868</u>	<u>4,604,868</u>	<u>-</u>
<b>Fund Cash Balances, June 30, 2017</b>	<b><u>\$ 4,618,158</u></b>	<b><u>\$ 5,169,763</u></b>	<b><u>\$ 5,185,377</u></b>	<b><u>\$ 15,614</u></b>

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
MH-COMMUNITY OF CARE  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original Budget	Final Budget	Actual	
<b>REVENUES:</b>				
Grants	\$ 1,829,160	\$ 1,829,160	1,829,160	-
Total Cash Receipts	1,829,160	1,829,160	1,829,160	-
<b>DISBURSEMENTS:</b>				
Current Operations:				
Health Services:				
Contract - Services	1,265,843	1,432,470	1,128,080	304,390
General Government:				
Salaries	320,500	332,401	332,401	-
Advertising and Printing	5,500	3,120	3,189	(69)
Professional Services	21,375	12,205	13,379	(1,174)
Supplies	5,500	5,466	6,152	(686)
Postage and Shipping	3,000	448	448	-
Communications	10,000	8,214	8,213	1
Dues	21,000	17,817	18,864	(1,047)
Rentals	11,000	3,985	3,985	-
Maintenance	5,859	5,601	5,761	(160)
Insurance	3,984	-	-	-
Travel and Training	26,000	12,081	12,692	(611)
Buildings/Equipment	5,681	-	-	-
Other Exp.	5,102	-	-	-
Employee Benefits:				
Public Employee's Retirement	45,000	46,276	46,276	-
Life Insurance	2,100	1,264	1,352	(88)
Health Insurance	75,653	60,245	55,970	4,275
Medicare	4,700	4,696	4,696	-
Workers' Comp.	347	4,403	4,403	-
Total Cash Disbursements	<u>1,838,144</u>	<u>1,950,692</u>	<u>1,645,861</u>	<u>304,831</u>
Net Change in Fund Balance	(8,984)	(121,532)	183,299	304,831
Fund Cash Balances, July 1, 2016	<u>121,532</u>	<u>121,532</u>	<u>121,532</u>	<u>-</u>
<b>Fund Cash Balances, June 30, 2017</b>	<b><u>\$ 112,548</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 304,831</u></b>	<b><u>\$ 304,831</u></b>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**1. REPORTING ENTITY**

The Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Board is directed by a sixteen-member Board. Board members are appointed by the Board's Director and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Allen, Auglaize and Hardin Counties, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services. 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.

**Government-wide Financial Statements** - The statement of Net Position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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**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.

**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. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

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

**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.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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

**C. Basis of Accounting**

The Board's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Board. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Board.

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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

**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.

**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**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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

**I. Fund Balance**

**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. The Board may also assign fund balance as it does when appropriating fund balance to cover gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

**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.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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

**L. Net Position**

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

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

**3. EQUITY IN POOLED CASH**

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

The Allen County Auditor's records indicated the Board's cash balance as of June 30, 2017, was \$5,651,949.

**4. PROPERTY TAXES**

Property taxes are levied, assessed and collected on a calendar year basis while the Board's fiscal year runs from July through June. First-half tax distributions are received by the Board in the second half of the fiscal year. Second-half distributions are received in the first half of the following fiscal year. 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 2016 represent the collection of 2016 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.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

**4. PROPERTY TAXES (continued)**

Real Property-2017 First Half	<u>Allen</u>	<u>Auglaize</u>	<u>Hardin</u>
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,827,173,630	\$1,046,282,820	\$662,873,970
Public Utilities	163,930,770	35,773,810	33,942,410
Total Assessed Value	<u>\$1,991,104,400</u>	<u>\$1,082,056,630</u>	<u>\$696,816,380</u>
Real Property-2016 Second Half	<u>Allen</u>	<u>Auglaize</u>	<u>Hardin</u>
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,819,877,280	\$1,037,596,550	\$662,772,900
Public Utilities	121,980,940	31,613,560	32,911,020
Total Assessed Value	<u>\$1,941,858,220</u>	<u>\$1,069,210,110</u>	<u>\$695,683,920</u>

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

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

There was no significant reduction in coverage and settled claims have not exceeded coverages in past three years.

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 \$5,200 per family and \$2,600 per individual deductible. Once the deductible is met, the insurance plan begins to pay at 100%.

**6. DEFINED BENEFIT PENSION PLAN**

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

Plan Description – The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members may elect the member-directed plan and the combined plan, most employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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

	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board's contractually required contribution was \$46,276 for year 2016.

**7. POSTEMPLOYMENT BENEFITS**

**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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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**7. POSTEMPLOYMENT BENEFIT (continued)**

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 2017, state and local employers contributed at a rate of 14.0% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0% during 2017. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during 2017. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above are the contractually required contribution rates for OPERS. The Board's contributions allocated to fund post-employment health care benefits for the years ended June 30, 2017, 2016 and 2015 were \$6,648, \$6,629, and \$6,097 respectively; 100 percent has been contributed for all years.

**8. CONTINGENT LIABILITIES**

**A. Grants**

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

**B. Fund Designation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

**8. CONTINGENT LIABILITIES (continued)**

The recommended fund balance designation requirement was developed as equal to two months of the total operating budget (2/12). This percentage is then converted to a dollar amount for the current operating year identifying a minimum level. At June 30, 2017 the Board had designated \$1,408,256 for possible future financial shortfalls.

**9. FUND BALANCES**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	MH Community of Care	Other Governmental Funds	Total
<b>Restricted for</b>				
Services per ODMH/ODADAS allocation guidelines		\$ 304,831	\$ 181,770	\$ 486,601
Total Restricted		304,831	181,770	486,601
<b>Committed to</b>				
Budget Stabilization	\$ 1,408,256			1,408,256
Facility Management	59,129			59,129
Total Committed	1,467,385			1,467,385
<b>Assigned to</b>				
Capital Projects	4,273			4,273
Total Assigned	4,273			4,273
Unassigned (deficits):	3,713,719		(20,029)	3,693,690
Total Fund Balances	\$ 5,185,377	\$ 304,831	\$ 161,741	\$ 5,651,949



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed Through Ohio Department of Mental Health</b>				
Block Grants for Prevention and Treatment of Substance Abuse	93.958	01-BG01PLAN-17	\$ -	\$ 152,874
Block Grants for Prevention and Treatment of Substance Abuse	93.958	02-0402-Housing-T-17	-	12,800
Total Block Grants for Community Mental Health Services			-	165,674
FEDERAL PER CAPITA	93.959	01-BGD-FY17	-	386,174
FEDERAL PER CAPITA	93.959	01-BGD-FY17	149,194	149,194
UMADAOP	93.959	0205004-00-UMP-17	-	136,216
Women's Treatment	93.959	FY17	-	18,893
Circle for Recovery	93.959	FY17	-	69,075
Total Block Grants for Prevention and Treatment of Substance Abuse			149,194	759,552
Social Services Block Grant-Title XX	93.667	FY17	-	114,173
Total Federal Assistance - U.S. Department of Health and Human Services			149,194	1,039,399
Total Expenditures of Federal Awards			\$ 149,194	\$ 1,039,399

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

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

**NOTES TO THE SCHEDULE OF EXPENDITURES FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties (Board) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position or changes in net position of the Board.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – SUBRECIPIENTS**

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

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

**NOTE D – MATCHING REQUIREMENTS**

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To the Members of the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, Ohio (the Board), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 18, 2017. We noted the Board uses a special purpose framework other than generally accepted accounting principles.

**Internal Controls Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

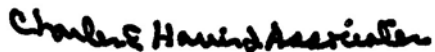
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

There are certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated December 18, 2017.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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.



*Charles E. Harris & Associates, Inc.*  
December 18, 2017

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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

To the Members of the Governing Board:

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

We have audited the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, Ohio's (Board) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Board's major federal program for the year ended June 30, 2017. The Board's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Board's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 opinion on compliance for the 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, Allen County, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
December 18, 2017

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
June 30, 2017**

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

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF  
ALLEN, AUGLAIZE AND HARDIN COUNTIES  
ALLEN COUNTY  
For the Year Ended June 30, 2017**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, as of June 30, 2016, reported no material citations or recommendations.





# Dave Yost • Auditor of State

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

**ALLEN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 20, 2018**