



Dave Yost • Auditor of State

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mental Health and Recovery Services Board
of Seneca, Sandusky, and Wyandot Counties
Seneca County
1200 North State Route 53
Tiffin, Ohio 44883-9799

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio (the Board), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

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

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

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

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2016, 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

August 11, 2016

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

The discussion and analysis of the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2015, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for the year 2015 are as follows:

- Net position increased \$590,915 which represents a 17.16% increase from 2014.
- General receipts accounted for \$3,377,257, or 77.63% of all receipts. Program specific receipts, in the form of charges for services and sales and operating grants and contributions, accounted for \$973,033, or 22.37% of total revenues of \$4,350,290.
- The Board had \$3,759,375 in disbursements related to governmental activities; program-specific charges for services, grants and contributions offset only \$973,033 of these disbursements. The Board's disbursements decreased \$382,169 from the prior year. This decrease primarily related to a \$402,304 decrease in state per capita disbursements.

Using the Basic 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.

Report Components

The statement of net position - cash basis and the statement of activities - cash basis provide information about the cash activities of the Board as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Board as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

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 accounting principles generally accepted in the United States of America (GAAP). Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)

As a result of the use of this cash basis of accounting, certain assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and the effects of these items on revenues and expenses, are not recorded in these financial statements.

Reporting the Board as a Whole

The statement of net position - cash basis and the statement of activities - cash basis reflect how the Board performed financially during 2015, 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 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, these changes are one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position are an indicator of whether the Board's financial health is improving or deteriorating. When evaluating the Board's financial condition, considerations include other non-financial 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.

The statement of net position - cash basis and the statement of activities - cash basis present governmental activities, which include all the Board's services. The Board has no business-type activities.

Reporting the Board's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - The Board's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Board's governmental operations and the mental health and alcohol and drug addiction 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 mental health and alcohol and drug addiction 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 fund is the general fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)

Reporting the Board's Fiduciary Responsibilities

The Board is the trustee, or fiduciary, for its trust agreement. This activity is presented as a private-purpose trust fund. The Board also serves as fiscal agent for the Seneca County Health Alliance (the "Alliance"). Records for the Alliance are maintained in an agency fund. The Board's fiduciary activities are reported in separate statements of fiduciary net position - cash basis - fiduciary funds and changes in fiduciary net position - cash basis - fiduciary fund. These activities are excluded from the Board's other financial statements because the assets cannot be utilized by the Board to finance its operations.

The Board as a Whole

Table 1 provides a summary of the Board's net position at December 31, 2015 and December 31, 2014 on a cash basis:

**Table 1
Net Position**

	Governmental Activities	
	2015	2014
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 4,034,326	\$ 3,443,411
<u>Net position:</u>		
Restricted	\$ 809,226	\$ 722,903
Unrestricted	3,225,100	2,720,508
Total net position	\$ 4,034,326	\$ 3,443,411

The Board's cash balance and net position at December 31, 2015 amounted to \$4,034,326. Of this amount, \$809,226 is restricted as to use.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)

Table 2 reflects the change in net position in 2015 and provides a comparison to 2014:

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

	Governmental Activities	
	2015	2014
Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 2,562	\$ 569
Operating grants and contributions	970,471	1,369,375
Total program cash receipts	<u>973,033</u>	<u>1,369,944</u>
General receipts:		
Property taxes	1,830,050	900,466
Grants and entitlements not restricted by specific program	1,544,915	1,645,919
Donations	50	100
Miscellaneous	2,242	9,080
Total general receipts	<u>3,377,257</u>	<u>2,555,565</u>
Total receipts	<u>4,350,290</u>	<u>3,925,509</u>
Disbursements:		
Mental health services:		
Title XX	91,444	103,957
CMH 508-A	12	-
Mental health block grant	131,191	123,974
Forensic services	8,244	8,244
Cultural competency	590	-
Alcohol and drug addition services:		
State per capita	139,947	542,251
Treatment alternative street crime	152,155	193,694
Federal ADAMHS	339,315	443,023
Preventive state incentive	259	101,970
Ohio Traffic Safety	23,553	23,533
Substance abuse mental health services:		
Administration	<u>2,872,665</u>	<u>2,600,898</u>
Total disbursements	<u>3,759,375</u>	<u>4,141,544</u>
Change in net position	590,915	(216,035)
Net position at beginning of year	<u>3,443,411</u>	<u>3,659,446</u>
Net position at end of year	<u>\$ 4,034,326</u>	<u>\$ 3,443,411</u>

In 2015, 77.63% of the Board's total receipts were from general receipts, consisting of State grants and entitlements not restricted by specific programs, property taxes levied for general purposes, donations, and miscellaneous receipts. Charges for services and operating grant and contribution program receipts accounted for 22.37% of the Board's total receipts during 2015. These receipts consist primarily of operating grants from the State of Ohio and from the federal government. General receipts increased \$821,692, mainly due to property taxes which increased \$929,584 as a result of a new Mental Health and Recovery levy collected in Sandusky County.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)

During 2015, operating grant and contribution program receipts decreased 29.13% due primarily to decreased Medicaid funding across several of the Board's programs. Charges for services program receipts increased \$1,993 from the prior year due to an increase of local reimbursements for Medicaid services.

The Board recognized total governmental activities disbursements of \$3,759,375 during 2015. The largest portion of these disbursements related to administration, totaling \$2,872,665. These costs represent the costs to administer all programs not supported by special receipts and disbursements for services provided from the property taxes for mental health and alcohol and drug addiction services from Seneca, Sandusky, and Wyandot Counties. Disbursements decreased due to a decrease in state per capita funding.

Governmental Activities

The disbursements of the Board's governmental activities are supported directly through program-specific receipts, which consist primarily of funds designated by grantors for specific purposes. The net cost of the Board's services, or the amount by which disbursements relied on general receipts of the Board, was \$2,786,342 for 2015, or 74.12% of total governmental activities disbursements.

A comparison between the total cost of services and the net cost for both 2015 and 2014 is presented in Table 3.

**Table 3
Governmental Activities**

	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>
Program disbursements:				
Mental health services:				
Medicaid	\$ -	\$ (1,463)	\$ -	\$ -
CMH 408	-	(693)	-	-
Title XX	91,444	5,345	103,957	17,470
CMH 508-A	12	12	-	-
Mental health block grant	131,191	(47,601)	123,974	35,481
Forensic services	8,244	-	8,244	-
Cultural competency	590	590	-	-
Alcohol and drug addition services:				
State per capita	139,947	19,365	542,251	46,290
Court referred driver	-	(406)	-	(569)
Treatment alternative street crime	152,155	-	193,694	42,011
Federal ADAMHS	339,315	(62,679)	443,023	11,075
Preventive state incentive	259	259	101,970	19,645
Ohio Traffic Safety	23,553	948	23,533	(701)
Substance abuse mental health services:				
Administration	2,872,665	2,872,665	2,600,898	2,600,898
Totals	<u>\$ 3,759,375</u>	<u>\$ 2,786,342</u>	<u>\$ 4,141,544</u>	<u>\$ 2,771,600</u>

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)

The Board's Funds

Total governmental funds had receipts of \$4,350,290 and disbursements of \$3,759,375. The fund balance of the general fund increased due to higher property tax receipts. Property and other local taxes increased \$929,584 while administration expenses also increased \$271,767. In total, the cash fund balance of the general fund increased \$504,592, from a cash balance of \$2,720,508 to \$3,225,100.

General Fund Budgeting Highlights

The Board's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2015, the Board amended its general fund budget numerous times. For the general fund, final budgeted receipts were \$3,376,357, which is 2.07% less than original budgeted receipts of \$3,447,688. Actual receipts for fiscal year 2015 were \$3,377,257; this represents a \$900 increase from final budgeted receipts.

General fund final budgeted disbursements were \$4,618,668, which were higher than original budgeted disbursements of \$4,100,098. Actual budget-basis disbursements for fiscal year 2015 totaled \$3,708,740 and were \$909,928 lower than in the final budget.

Capital Assets

The Board does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Current Issues

A major challenge for the Board is to provide quality treatment and prevention services to the public while complying with the restrictions imposed by limited, and in some cases shrinking, funding. The Board relies on allocations and grants through the Ohio Department of Mental Health and Addiction Services (MHAS) and is diligent in searching for new funding sources that are closely related to its mission in order to allow community programs to continue.

This Board has been quite concerned about more funding being allocated as one-time grants, without any continuity for services. This is a huge weight on the Board's shoulders to plan for services without any financial continuity. In addition, Ohio Department of Mental Health and Addiction Services and Ohio Department of Health are in the process of redesigning the behavioral health services, changing the Medicaid codes and rates. The reimbursement rates for many services will be built around the rendering providers' credential/education rather than a patient-centered continuum of accessible, medically necessary services. Last, Ohio Revised Code Chapter 340.033 has been modified to mandate Board's an array of treatment and support services for all levels of opioid and co-occurring drug addiction. Many of these services are non-Medicaid reimbursable and presumably no additional resources will be provided to the Boards to cover for these services.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED
(Continued)

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Board's finances and to reflect the Board's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mircea Handru, Executive Director, 1200 N. State Route 53, Tiffin, OH 44883-9799.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SANDUSKY, SENECA, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,034,326
Net position:	
Restricted for:	
Mental health services	\$ 531,098
Alcohol and drug addiction services	278,128
Unrestricted	3,225,100
Total net position	\$ 4,034,326

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SANDUSKY, SENECA, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Mental health services:				
Medicaid	\$ -	\$ 1,463	\$ -	\$ 1,463
CMH 408	-	693	-	693
Title XX	91,444	-	86,099	(5,345)
CMH 508-A	12	-	-	(12)
Mental health block grant	131,191	-	178,792	47,601
Forensic services	8,244	-	8,244	-
Cultural competency	590	-	-	(590)
Alcohol and drug addition services:				
State per capita	139,947	-	120,582	(19,365)
Court referred driver	-	406	-	406
Treatment alternative street crime	152,155	-	152,155	-
Federal ADAMHS	339,315	-	401,994	62,679
Preventive state incentive	259	-	-	(259)
Ohio Traffic Safety	23,553	-	22,605	(948)
Substance abuse mental health services:				
Administration	2,872,665	-	-	(2,872,665)
Total governmental activities	\$ 3,759,375	\$ 2,562	\$ 970,471	(2,786,342)
General receipts:				
Property taxes levied for:				
General purposes				1,830,050
Grants and entitlements not restricted to specific programs				1,544,915
Donations				50
Miscellaneous				2,242
Total general receipts				3,377,257
Change in net position				590,915
Net position at beginning of year				3,443,411
Net position at end of year				\$ 4,034,326

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SANDUSKY, SENECA, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	<u>\$ 3,225,100</u>	<u>\$ 809,226</u>	<u>\$ 4,034,326</u>
Fund balances:			
Restricted:			
Mental health services	\$ -	\$ 531,098	\$ 531,098
Alcohol and drug addiction services	-	278,128	278,128
Assigned:			
Administration	836,075	-	836,075
Subsequent year appropriation	133,420	-	133,420
Unassigned	<u>2,255,605</u>	<u>-</u>	<u>2,255,605</u>
Total fund balances	<u>\$ 3,225,100</u>	<u>\$ 809,226</u>	<u>\$ 4,034,326</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SANDUSKY, SENECA, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property and other local taxes	\$ 1,830,050	\$ -	\$ 1,830,050
Intergovernmental	1,544,915	970,471	2,515,386
Donations	50	-	50
Charges for services	-	2,562	2,562
Miscellaneous	2,242	-	2,242
Total receipts	<u>3,377,257</u>	<u>973,033</u>	<u>4,350,290</u>
Disbursements:			
Current:			
Mental health services:			
Title XX	-	91,444	91,444
CMH 508-A	-	12	12
Mental health block grant	-	131,191	131,191
Forensic services	-	8,244	8,244
Cultural competency	-	590	590
Alcohol and drug addition services:			
State per capita	-	139,947	139,947
Treatment alternative street crime	-	152,155	152,155
Federal ADAMHS	-	339,315	339,315
Preventive state incentive	-	259	259
Ohio Traffic Safety	-	23,553	23,553
Substance abuse mental health services:			
Administration	2,872,665	-	2,872,665
Total disbursements	<u>2,872,665</u>	<u>886,710</u>	<u>3,759,375</u>
Net change in fund balances	504,592	86,323	590,915
Fund balances at beginning of year	<u>2,720,508</u>	<u>722,903</u>	<u>3,443,411</u>
Fund balances at end of year	<u>\$ 3,225,100</u>	<u>\$ 809,226</u>	<u>\$ 4,034,326</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SANDUSKY, SENECA, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and other local taxes	\$ 1,686,401	\$ 1,830,050	\$ 1,830,050	\$ -
Intergovernmental	1,757,787	1,544,264	1,544,915	651
Donations	500	50	50	-
Miscellaneous	3,000	1,993	2,242	249
Total receipts	<u>3,447,688</u>	<u>3,376,357</u>	<u>3,377,257</u>	<u>900</u>
Disbursements:				
Current:				
Substance abuse mental health services:				
Administration	4,100,098	4,618,668	3,708,740	909,928
Net change in fund balance	(652,410)	(1,242,311)	(331,483)	910,828
Fund balance at beginning of year	2,100,122	2,100,122	2,100,122	-
Prior year encumbrances appropriated	<u>620,386</u>	<u>620,386</u>	<u>620,386</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,068,098</u>	<u>\$ 1,478,197</u>	<u>\$ 2,389,025</u>	<u>\$ 910,828</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SANDUSKY, SENECA, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2015

	Private-Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 20,392	\$ 2,542
Net position:		
Restricted for:		
Seneca County Health Alliance	\$ -	\$ 2,542
Other purposes	20,392	-
Total net position	\$ 20,392	\$ 2,542

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SANDUSKY, SENECA, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Private-Purpose Trust</u>
Additions:	
Interest	\$ 3
Net position at beginning of year	<u>20,389</u>
Net position at end of year	<u>\$ 20,392</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, (the Board) as a body corporate and politic. A fourteen-member Board is the governing body. Eight members of the Board are appointed by the Board of County Commissioners from the respective counties of which members are residents, and six members are appointed by the State of Ohio, Department of Mental Health and Addiction Services. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. Private and public agencies are the primary service providers, through Board contracts.

A. Primary Government

The Board plans for, contracts for, monitors, and evaluates services to and is a joint venture of Seneca, Sandusky, and Wyandot Counties. The counties share in the equity of the Board based on the percentage of the population within the three counties. The population in each of the joint venture participants is: Seneca County 55,669 (40.28%), Sandusky County 60,179 (43.55%), and Wyandot County 22,353 (16.17%).

The Seneca County Auditor acts as fiscal agent for the Board and the Seneca County Treasurer acts as custodian of all funds.

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

B. Component Units

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 organization's governing 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 the organization's resources; or (3) the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Board, are accessible to the Board, and are significant in amount to the Board and organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's basic financial statements to be misleading or incomplete. The Board has no component units.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 1 - REPORTING ENTITY - (Continued)

C. Related Organization

Seneca County Health Alliance

On February 1, 2013, the Board assumed fiscal responsibilities for the Seneca County Health Alliance (the "Alliance"). The Alliance is composed of community partners including hospitals, mental health providers, the Family and Children First Council, the Department of Job and Family Services, the YMCA, the Board of Developmental Disabilities, the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties, and other local companies and organizations and was formed for the purposes of conducting local health assessments and developing a comprehensive strategic plan based on the assessment findings. Accounting records for the Alliance are maintained in an agency fund of the Board. Financial information for the Alliance may be obtained by contacting the Executive Director of the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties, 1200 N. State Route 53, Tiffin, Ohio 44883-9799.

NOTE 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). GAAP includes 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 - cash basis and a statement of activities - cash basis, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position – cash basis and the statement of activities – cash basis display information about the Board as a whole. These statements include the financial activities of the primary government. The statements show those activities of the Board that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions.

The statement of net position - cash basis presents the cash balance of the governmental activities of the Board at year-end. The statement of activities - cash basis compares disbursements and program receipts for each program or function of the Board's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Board, with certain, limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Board.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental fund financial statements is on major funds. 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. Funds are used to segregate resources that are restricted as to use.

Governmental Funds

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

General Fund - The general fund accounts for and reports all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Board are used to account for and report grants and other resources, the use of which is restricted for a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Board under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Board's own programs. The Board's only trust fund is the Donelson Trust, a private-purpose trust which is used for the benefit of the people residing in Wyandot County who require mental health assistance. Agency funds are custodial in nature and do not involve measurement of results of operations. The Board's agency fund accounts for funds of the Seneca County Health Alliance, for which the Board serves as fiscal agent.

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 incurred.

As a result of the use of this cash basis of accounting, certain assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgetary Process

All funds except for 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. The legal level of control has been established by the Board at the fund and 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 in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate 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 budget reflect the first appropriation resolution that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriations passed by the Board during the year.

E. Cash and Investments

In accordance with the Ohio Revised Code, the Board's cash is held and invested by the Seneca County Treasurer, who acts as custodian for the Board's monies. The Board's assets are held in the County Treasurer's cash and investment pool, and are valued at the Treasurer's reported carrying amount. Individual fund integrity is maintained through Board records.

F. Restricted Assets

Assets are 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 had no restricted assets at December 31, 2015.

G. Accumulated Leave

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

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. 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.

I. Net Position

Net position is reported as restricted to the extent of limitations imposed on its use, either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes monies held in the private-purpose trust fund for mental health assistance.

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

J. 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:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The Board had no nonspendable fund balance at December 31, 2015.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. 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. The Board had no committed fund balance at December 31, 2015.

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 the general fund, assigned amounts include those approved through the Board's formal purchasing procedure and those required for subsequent year appropriations.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

K. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2015, the Board has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Board.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Board.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual (budgetary basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements on a budgetary basis but are not on the cash basis of accounting. The encumbrances outstanding at year end (budgetary basis) amounted to \$836,075 for the general fund.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility located in the Board. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value 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. All property is required to be revaluated every six years. 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 due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible 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 proceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The full tax rate for all Board operations for the year ended December 31, 2015 was \$0.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

Real property	\$ 1,095,462,010	94.78%
Public utility personal property	60,391,330	5.22%
Total assessed valuation	\$ 1,155,853,340	100.00%

NOTE 6 - RISK MANAGEMENT

The Board is exposed to various risks of property and casualty losses and injuries to employees.

The Board insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Crime;
- Public employee dishonesty; and,
- Directors and officers liability.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years, and the Board has not had a significant reduction in coverage from the prior year.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 7 – DEFINED BENEFIT PENSION PLAN - (Continued)

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:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
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 \$36,226 for year 2015.

NOTE 8 - POSTEMPLOYMENT BENEFIT PLAN

OPERS - Plan Description

OPERS maintains a cost-sharing multiple employer defined benefit postemployment healthcare 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 postemployment health care coverage, age-and-service retirees under the Traditional Pension and combined Plan 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. Entity 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 writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 8 - POSTEMPLOYMENT BENEFIT PLAN - (Continued)

OPERS - Funding Policy

The Ohio Revised Code provides the statutory Entity requiring public employers to fund postretirement 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 2015, state and local employees contributed at a rate of 10% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employers units. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered 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 postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2% during calendar year 2015.

The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Board's contributions allocated to postemployment health care for the years ended December 31, 2015, 2014, and 2013 were \$6,040, \$5,883 and \$2,623, respectively.

NOTE 9 - CONTINGENCIES AND GRANTS

The Board receives significant financial assistance from numerous federal, State, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Board; however in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Board.

NOTE 10 - COMMITMENTS

The Board utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Board's commitments for encumbrances in the governmental funds were as follows:

General fund	\$ 836,075
Nonmajor governmental funds	<u>120,578</u>
Total	<u>\$ 956,653</u>

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
 OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
 SENECA COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Passed Through to Subrecipients	Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Passed Through Ohio Department of Transportation National Highway Traffic Safety Administration (NHTSA):</i>				
State and Highway Community Safety	20.600	OTSO FY15 OTSO FY16	\$ 9,720 2,350	\$ 18,965 4,588
Total U.S. Department of Transportation			12,070	23,553
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	RTW - FY12	12	12
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Mental Health and Addiction Services:</i>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SPF - FY15 4253C SPF PFS - FY15 4253C SPF PFS - FY16 SAMHSA - FY15	259 15,000 3,731 42,630	259 15,000 3,731 42,630
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance			61,620	61,620
Social Services Block Grant	93.667	BG FY15 BG FY16	68,210 23,234	68,210 23,234
Total Social Services Block Grant			91,444	91,444
Block Grants for Community Mental Health Services	93.958	FY15 FY16 BG FY15 4221R Housing	44,315 44,246 2,200 17,675	44,315 44,246 2,200 17,675
Total Block Grants for Community Mental Health Services			108,436	108,436
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TASC - 15 TASC - 16 SAPT - 15 SAPT - 16 DFCC - 15 DFCC - 16	121,006 31,149 219,051 89,986 15,505 8,742	121,006 31,149 219,051 89,986 15,505 8,742
Total Block Grants for Prevention and Treatment of Substance Abuse			485,439	485,439
Total U.S. Department of Health and Human Services			746,939	746,939
Total Expenditures of Federal Awards:			\$ 759,021	\$ 770,504

The accompanying notes are an integral part of this schedule

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio (the Board) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or 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 certain federal awards received from the Ohio Department of Transportation National Highway Traffic Safety Administration, the Ohio Department Education, and the Ohio Department of Mental Health and Addiction Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the Board reports expenditures of federal awards to subrecipients when paid in cash.

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 the Board to contribute non-federal funds (matching funds) to support the federally-funded programs. The Board has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



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 Seneca, Sandusky, and Wyandot Counties
Seneca County
1200 North State Route 53
Tiffin, Ohio 44883-9799

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, the major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio (the Board) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 11, 2016, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

August 11, 2016



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

Mental Health and Recovery Services Board
of Seneca, Sandusky, and Wyandot Counties
Seneca County
1200 North State Route 53
Tiffin, Ohio 44883-9799

To the Members of the Board:

Report on Compliance for the Major Federal Program

We have audited the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio's (the Board's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Board's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Board's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio 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, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

August 11, 2016

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY, AND WYANDOT COUNTIES
SENECA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF SENECA, SANDUSKY, AND WYANDOT
SENECA 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
SEPTEMBER 6, 2016**