

***MENTAL HEALTH AND RECOVERY BOARD OF  
WAYNE AND HOLMES COUNTIES***

**WAYNE COUNTY, OHIO**

**AUDIT REPORT**

**For the Fiscal Year Ended June 30, 2017**





# Dave Yost • Auditor of State

Members of the Board  
Mental Health and Recovery Board of Wayne and Holmes Counties  
1985 Eagle Pass  
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne 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 Board of Wayne and Holmes Counties is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 8, 2017

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**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES**  
**WAYNE COUNTY, OHIO**  
**Audit Report**  
**For the fiscal year ended June 30, 2017**

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**INDEPENDENT AUDITOR'S REPORT**

Mental Health and Recovery Board of Wayne and Holmes Counties  
Wayne County  
1985 Eagle Pass  
Wooster, Ohio 44691

To the Members of the Board:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County (the Board) as of and for the year ended June 30, 2017.

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

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

***Auditor's Responsibility***

Our responsibility is to 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 financial audit standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require us to plan and perform the audit to reasonably assure 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 Council'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 opinion.

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

As described in Note 1 of the financial statements, the Board prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Board as of June 30, 2017, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County as of June 30, 2017, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Matters***

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 financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, 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.



***Charles E. Harris & Associates, Inc.***  
September 29, 2017

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN FUND BALANCES (REGULATORY CASH BASIS) - GOVERNMENTAL FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Governmental Fund Type
	General
<b>Cash Receipts:</b>	
Property Tax and Other Local Taxes	\$2,735,663
Intergovernmental	3,324,992
Other	381,044
	6,441,699
<i>Total Cash Receipts</i>	6,441,699
<b>Cash Disbursements:</b>	
Personnel	530,075
Consultants	152,734
Miscellaneous	188,787
Contract Services	5,252,714
	6,124,310
<i>Total Cash Disbursements</i>	6,124,310
<i>Net Change in Fund Cash Balances</i>	317,389
<i>Fund Balance, July 1, 2016</i>	4,562,378
<b>Fund Cash Balance June 30, 2017</b>	
Assigned	1,774,119
Unassigned	3,105,648
	\$4,879,767
<i>Fund Balance, June 30, 2017</i>	\$4,879,767

The notes to the financial statements are an integral part of this statement.

MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Fiduciary Fund Type <u>Agency</u>
<b>Cash Receipts:</b>	
Intergovernmental	\$682,940
Other	<u>12,660</u>
<i>Total Cash Receipts</i>	695,600
<b>Cash Disbursements:</b>	
Contractual Services	<u>647,434</u>
<i>Total Cash Disbursements</i>	<u>647,434</u>
<i>Net Change in Fund Cash Balances</i>	48,166
<i>Fund Cash Balances, July 1</i>	<u>898,682</u>
<i>Fund Cash Balances, June 30</i>	<u><u>\$946,848</u></u>

*The notes to the financial statements are an integral part of this statement.*

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Fiscal Year Ended June 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, (the Board) as a body corporate and politic. The Board primarily provides mental health, drug addiction, alcohol, and community services to the residents of the two counties, primarily through contracts with not-for-profit agencies. The Board member composition includes citizens appointed as follows:

- a. Seven (7) by the Wayne County Commissioners;
- b. Three (3) by the Holmes County Commissioners;
- c. Eight (8) by the Director of the Ohio Department of Mental Health and Addiction Services

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

**B. BASIS OF ACCOUNTING**

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

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

**C. DEPOSITS AND INVESTMENTS**

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

**D. FUND ACCOUNTING**

The Board uses fund accounting to segregate cash and investments that are restricted as to use. The Board classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Fiscal Year Ended June 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**D. FUND ACCOUNTING - (continued)**

**2. Fiduciary Fund**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Board's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Board disburses these funds as directed by the individual, organization or other government. The Board's agency fund accounts for the operations of the Wayne County Family and Children First Council (the Council) of which the Board serves as Administrative Agent. Operations of the Council are controlled by an Oversight Committee noting the Board's Executive Director serves on the Executive Council.

**E. BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2017 budgetary activity appears in Note 2.

**F. PROPERTY, PLANT AND EQUIPMENT**

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

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Fiscal Year Ended June 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**G. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Board's cash basis method of accounting.

**H. FUND BALANCE**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Fiscal Year Ended June 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**I. ACCUMULATED LEAVE**

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

**2. BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2017 is as follows:

Fund Type	2017 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 6,370,159	\$ 6,441,699	\$ 71,540

Fund Type	2017 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 9,014,661	\$ 7,898,429	\$ 1,116,232

**3. PROPERTY TAXES**

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

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

**4. NOTE RECEIVABLE**

On January 29, 2010 the Board executed a promissory note with the Outreach Community Living Services Center, Inc. (the Center) in the amount of \$272,587 with an interest rate of 0%, for the purpose of repaying advances received in prior years. Repayment terms were established as follows: 1) 12 monthly payments of \$100 each commencing February 5, 2010; 2) 6 monthly payments of \$500 each commencing February 5, 2011; 3) 357 monthly payments of \$750; and 4) 1 final monthly payment of \$637. The promissory note is collateralized by a mortgage lien on two of the Center's existing properties.

The balance of the promissory note at June 30, 2017 is \$235,437. The Board has allowed the Center to make payments which may be less than the amount due per the established agreement.

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Fiscal Year Ended June 30, 2017**

**5. RETIREMENT SYSTEM**

The Board's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For fiscal year 2017, OPERS members were required to contribute 10% of their gross salaries and the Board was required to contribute an amount equaling 14% of participants' gross salaries. The Board picked up 3% of the member contributions. The Board has paid all contributions required through June 30, 2017.

**6. RISK MANAGEMENT**

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Inland Marine; and
- Errors and omissions.

The Board also provides health, dental and life insurance through a private carrier. Settled claims have not exceeded coverage in any of the past three years. Limits have not been decreased from the prior year.

**7. CONTINGENT LIABILITIES**

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

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Health:</i>				
Special Education-Grants for Infants and Families-Help Me Grow	84.181	08510021HG0817	\$ 150,413	\$ 150,413
Total U.S. Department of Education			<u>150,413</u>	<u>150,413</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Health and Addiction Services:</i>				
Social Services Block Grant	93.667	3A70 336612 SOC SERS BG 4221C	118,742	118,742
Block Grants for Community Mental Health Services	93.958	3A90 33614 MH BG 4221C 3A90 33614 MH BG 4224C 3A90 33614 MH BG 4221C (Respite Grant)	134,497	134,497
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1700222 1700230 3G40 336618-4221C-COMM INVESTMENTS 3G40 33618-4253C PREVENTION PER CAPITA	652,880	652,880
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Social Security Act Title IV-B Funds, Part 1	3,057	3,057
Promoting Safe and Stable Families	93.556	Social Security Act Title IV-B Funds, Part 2	<u>24,738</u>	<u>24,738</u>
<i>Total Passed Through Ohio Department of Mental Health and Addiction Services</i>			<u>933,914</u>	<u>933,914</u>
<i>Passed Through Ohio Department of Health:</i>				
Maternal and Child Health Services Block Grant to States	93.994	08510021MC0916	<u>39,805</u>	<u>39,805</u>
Total U.S. Department of Health and Human Services			<u>973,719</u>	<u>973,719</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$1,124,132</b></u>	<u><b>\$1,124,132</b></u>

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

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY**

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

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Mental Health and Recovery Board of Wayne and Holmes Counties (the Board's) 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 Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board.

**2. 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.

**3. Subrecipients**

The Board passes certain federal awards received from the Ohio Department of Mental Health and Addiction Services and the Ohio Department of Health to other governments or not-for-profit agencies (subrecipients). As Note 2 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.

**4. 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

Mental Health and Recovery Board of Wayne and Holmes Counties  
Wayne County  
1985 Eagle Pass  
Wooster, Ohio 44691

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, (the Board) as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017, wherein we noted the Board followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control 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 opinions 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness. We consider finding 2017-001 to be a material weakness.

***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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

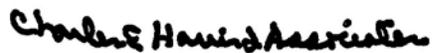
We also noted certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated September 29, 2017.

***Entity's Response to Findings***

The Board's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 in accordance with *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 and Associates, Inc.***  
September 29, 2017

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 Board of Wayne and Holmes Counties  
Wayne County  
1985 Eagle Pass  
Wooster, Ohio 44691

To the Members of the Board:

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

We have audited the Mental Health and Recovery Board of Wayne and Holmes Counties' (the Board) compliance with the types of compliance requirements described in the 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 that our audit provides a reasonable basis for our opinion on compliance for the major federal 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 Board of Wayne and Holmes Counties 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.

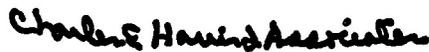
***Report on Internal Control Over Compliance***

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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.**  
September 29, 2017

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE 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>	Adverse under GAAP Unmodified under AOS regulatory basis
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
(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 (SABG) - 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

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
2 CFR § 200.515  
June 30, 2017**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2017-001 – Material Weakness**

**Financial Reporting**

The Board's management is responsible for the fair presentation of the financial statements. Several errors were noted in the financial statements which resulted in audit adjustments and a change to a footnote. The adjustments were as follows:

- Homestead and rollback receipts of \$337,308 were recorded as Property Taxes rather than Intergovernmental revenue in the General Fund.
- Real estate taxes from both counties were recorded at an amount that was net of tax collection fees, rather than at the gross amount, with a related expense recorded for tax collection fees. This resulted in revenues and expenses both being understated by \$61,596.
- The Note Receivable footnote erroneously reported the balance of a promissory note as \$166,476. The correct balance of the promissory note as of June 30, 2017 was \$235,437.

The accompanying financial statements and accounting system have been adjusted to correct these errors.

To ensure the Board's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, for postings including a final review of the statements and notes by the Administrator and Board to identify and correct errors and misclassifications in a timely manner.

**Managements' Response:**

See Corrective Action Plan

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None.

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
FOR THE YEAR ENDED JUNE 30, 2017**

The prior report, for the year ending June 30, 2016, reported no material citations or recommendations.

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	Noted and corrections have been made. In future years, the Hinkle filing will be reviewed for accuracy prior to filing.	Immediately	Rose Love, Finance Director

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# Dave Yost • Auditor of State

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES**

**WAYNE 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  
DECEMBER 21, 2017**