



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2014	5
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Fiduciary Fund - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Schedule of Federal Awards Expenditures	13
Notes to the Schedule of Federal Awards Expenditures	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Required by OMB Circular A-133.....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mental Health and Recovery Board
of Erie and Ottawa Counties
Erie County
416 Columbus Avenue
Sandusky, Ohio 44870-2753

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, Ohio (the Board) as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no 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 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 December 31, 2014, 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 combined cash balances of the Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, Ohio as of December 31, 2014, and its combined 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 Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is 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 25, 2015, 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

September 25, 2015

This page intentionally left blank.

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property Taxes	\$3,483,064		\$3,483,064
Intergovernmental	2,803,158	\$949,154	3,752,312
Miscellaneous	367,600		367,600
<i>Total Cash Receipts</i>	<u>6,653,822</u>	<u>949,154</u>	<u>7,602,976</u>
Cash Disbursements			
Current:			
Health:			
Salaries	379,051		379,051
OPERS	53,067		53,067
Fringe Benefits	79,462		79,462
Workers Compensation	2,840		2,840
Supplies and Materials	5,211		5,211
Contract Services	247,329		247,329
Advertising and Printing	2,576		2,576
Levy Expenses	34,621		34,621
Travel	13,816		13,816
Grants	5,274,593	1,016,173	6,290,766
Rentals	8,983		8,983
Other	66,751		66,751
Capital Outlay	384		384
Debt Service:			
Principal Retirement	15,429		15,429
Interest and Fiscal Charges	6,255		6,255
<i>Total Cash Disbursements</i>	<u>6,190,368</u>	<u>1,016,173</u>	<u>7,206,541</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>463,454</u>	<u>(67,019)</u>	<u>396,435</u>
Other Financing Receipts (Disbursements)			
Transfers In	491,106		491,106
Transfers Out		(491,106)	(491,106)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>491,106</u>	<u>(491,106)</u>	
<i>Net Change in Fund Cash Balances</i>	954,560	(558,125)	396,435
<i>Fund Cash Balances, January 1</i>	<u>1,944,783</u>	<u>648,151</u>	<u>2,592,934</u>
Fund Cash Balances, December 31			
Restricted		127,855	127,855
Assigned	2,899,343		2,899,343
Unassigned (Deficit)		(37,829)	(37,829)
<i>Fund Cash Balances, December 31</i>	<u>\$2,899,343</u>	<u>\$90,026</u>	<u>\$2,989,369</u>

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

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

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Agency</u>
Non-Operating Receipts (Disbursements)	
Other Financing Source	\$53,199
Other Financing Uses	<u>(55,569)</u>
<i>Net Change in Fund Cash Balance</i>	(2,370)
<i>Fund Cash Balance, January 1</i>	<u> </u>
<i>Fund Cash Balance, December 31</i>	<u><u>(\$2,370)</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

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

B. Accounting Basis

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

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 accounts for and reports all financial resources not accounted for and reported in another fund.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Board had the following significant Special Revenue Funds:

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

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

3. Fiduciary Fund (Agency Fund)

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 activity of the Ottawa County Family and Children First Council (the Council), for which the Board serves as the Council's administrative agent.

E. Budgetary Process

The Ohio Revised Code requires the Board to adopt a budget for each fund annually (except certain agency funds).

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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. County Budget Commission must 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 2014 budgetary activity appears in Note 2.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

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

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

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 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 ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

H. 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 December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,269,665	\$7,144,928	\$1,875,263
Special Revenue	485,824	949,154	463,330
Total	\$5,755,489	\$8,094,082	\$2,338,593

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,608,597	\$6,598,180	\$10,417
Special Revenue	1,016,173	1,507,279	(491,106)
Total	\$7,624,770	\$8,105,459	(\$480,689)

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

4. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Beacon Project Commercial Loan	\$87,518	5.5%
Administrative Offices Commercial Loan	<u>38,522</u>	4.3%
Total	<u><u>\$126,040</u></u>	

A commercial loan was obtained in 2009 to finance the purchase of property used by the Board for the Beacon project. The original loan was for \$118,000, with an interest rate of 6.29%, requiring 35 payments of \$1,021 through July 2012. This loan was refinanced in August of 2012. The current loan is for \$102,477 with an interest rate of 5.5%, requiring 119 payments of \$978, including interest, through July 2022, and a final estimated payment, including interest, due August 3, 2022 of \$23,135.

A commercial loan was originally obtained in 1998 to finance the purchase of the property used by the Board for its administrative offices. The original loan was for \$135,000. The original loan was refinanced in 2003, 2008, and 2013. The current loan is for \$53,543, with an interest rate of 4.3%, requiring 60 payments of \$995, including interest, through March 2018.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Beacon Project Commercial Loan	Administrative Offices Commercial Loan
2015	\$11,736	\$11,940
2016	11,736	11,940
2017	11,736	11,940
2018	11,736	5,391
2019	11,736	
2020-2022	50,519	
Total	<u><u>\$109,199</u></u>	<u><u>\$41,211</u></u>

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 2014, OPERS members contributed 10% of their gross salaries and the Board contributed an amount equaling 14% of participants' gross salaries. The Board has paid all contributions required through December 31, 2014.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

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.

8. MISCELLANEOUS RECEIPTS

In 2014, General Fund Miscellaneous Receipts consist primarily of rental proceeds.

9. INTERFUND TRANSACTIONS

During 2014 the following transfers were made:

<u>Transfers From</u>	<u>Transfers to General Fund</u>
ODMH Medicaid Fund	\$417,999
ODADAS Medicaid Fund	21,146
RSC Fund	51,961
Total	\$491,106

Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>			
ARRA - Race to the Top - Early Learning Challenge	99-0022-RTTT-C-14-1782	84.412	\$197,225
	99-0022-RTTT-C-15-1782		139,630
Total U.S. Department of Education			<u>336,855</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>			
Block Grants for Community Health Mental Services	N/A	93.958	84,174
Block Grants for Prevention and Treatment of Substance Abuse	FY14-FA/DBG&F/IVBG	93.959	251,002
	FY15-FA/DBG&F/IVBG		117,829
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>368,831</u>
Social Services Block Grant	MH-15-14	93.667	49,443
	MH-15-15		9,789
Total Social Services Block Grant			<u>59,232</u>
Total U.S. Department of Health and Human Services			<u>512,237</u>
Total Federal Awards Expenditures			<u>\$849,092</u>

The accompanying notes are an integral part of this Schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Mental Health and Recovery Board of Erie and Ottawa Counties' (the Board's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The Board passes certain federal awards received from the Ohio Department of Mental Health and Addiction Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, the Board reports expenditures of federal awards to subrecipients when paid in cash. The Board paid \$368,831 to subrecipients during the year ended December 31, 2014.

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 C - 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 Board
of Erie and Ottawa Counties
Erie County
416 Columbus Avenue
Sandusky, Ohio 44870-2753

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 Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, Ohio (the Board) as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated September 25, 2015 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

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mental Health and Recovery Board
of Erie and Ottawa Counties
Erie County
416 Columbus Avenue
Sandusky, Ohio 44870-2753

To the Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited the Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, Ohio's (the Board's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Board's major federal programs for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Board's major federal programs.

Management's Responsibility

The Board's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for each of the Board's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	ARRA – Race to the Top – Early Learning Challenge – CFDA #84.412; Block Grants for Prevention and Treatment of Substance Abuse – CFDA #93.959
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Material Weakness – Financial Reporting

We identified the following errors requiring adjustment to the financial statements and or notes to the financial statements for the year ended December 31, 2014:

- The General committed fund balance in the amount of \$2,899,343 was reclassified to assigned in accordance with GASB 54;
- General Fund estimated receipts were increased \$1,160,415 in order to bring the accounting system and notes in line with authorized budget amounts;
- General Fund appropriations (budgeted expenditures) were decreased \$1,016,173 in order to bring the accounting system and notes in line with authorized budget amounts;
- Special Revenue fund type estimated receipts were decreased in the amount of \$1,340,205 in order to bring the accounting system and notes in line with authorized budget amounts;
- Special Revenue fund type appropriations (budgeted expenditures) were increased \$540,609 in order to bring the accounting system and notes in line with authorized budget amounts; and
- Special Revenue assigned fund balance in the amount of \$90,026 was reclassified to restricted (\$127,855) and unassigned (deficit) (\$37,829) in accordance with GASB 54.

These errors were not identified and corrected prior to the Board preparing its financial statements due to deficiencies in the Board's internal controls over financial statement monitoring. The accompanying financial statements have been adjusted to reflect this change. Sound financial reporting is the responsibility of the Deputy Director of Finance and Operations and the Mental Health and Recovery Board and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Board's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the statements and notes by the Deputy Direct of Finance and Operations, to identify and correct errors and omissions.

Officials' Response:

The Deputy Director of Finance will ensure general fund monies committed to contracts in the following year will be reflected as assigned fund balance and special revenue fund monies committed to contracts in the following year will be reflected as restricted fund balance.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code §5705.10(D) for allocating revenues to improper funds.	Yes	
2013-002	Material weakness for the failure to accurately record various transactions and improve monitoring of financial activity.	No	Not corrected. Repeated as finding number 2014-001 in this report.
2013-003	OMB Circular A-133 §___.300 for errors in the Schedule of Federal Awards Expenditures.	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES

ERIE 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
OCTOBER 13, 2015**