

**DELAWARE-MORROW MENTAL HEALTH AND
RECOVERY SERVICES BOARD**

DELAWARE COUNTY

SINGLE AUDIT

JANUARY 1, 2011 – DECEMBER 31, 2011





Dave Yost • Auditor of State

Board of Directors
Delaware-Morrow Mental Health and Recovery Services Board
40 North Sandusky Street, Suite 301
Delaware, Ohio 43015

We have reviewed the *Independent Auditors' Report* of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 Delaware-Morrow Mental Health and Recovery Services Board is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA
Chief Deputy Auditor

May 14, 2012

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**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

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Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
40 North Sandusky Street, Suite 301
Delaware, Ohio 43015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and its major fund of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio (the Board), as of and for the year ended December 31, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and its major fund of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio, as of December 31, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the Mental Health and Recovery Services Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

As disclosed in Note 3, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Board's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. The Schedule of Federal Awards Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Wilson, Shanna & Son, Inc.

March 1, 2012

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2011 - DECEMBER 31, 2011
(UNAUDITED)**

The management's discussion and analysis of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2011, within the limitation 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 cash-basis basic financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net assets of the Board's governmental activities increased \$998,796 from 2010, or 8%.
- General cash receipts accounted for \$10,963,000 or 73% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,968,019 or 27% of total governmental activities cash receipts. Total governmental activities cash receipts for 2011 were \$14,931,019.
- The Board had \$13,932,223 in cash disbursements related to governmental activities; \$3,968,019 of these cash disbursements was offset by program specific operating grants or contributions. The remaining cash disbursements of the governmental activities of \$9,964,204 were offset by general cash receipts (primarily taxes and unrestricted grants and entitlements) of \$10,963,000.
- The Board's major governmental fund is the Mental Health and Recovery Services fund. This fund had cash receipts of \$14,931,019 and cash disbursements of \$13,932,223. The net increase in fund balance was \$998,796 or 8%.

Using the Basic Financial Statements (BFS)

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

The Statement of Net Assets – Cash Basis and Statement of Activities- Cash Basis provide information about the activities of the Board as a whole, presenting both an aggregate view of the Board's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds.

Since the Board uses the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded on these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2011 - DECEMBER 31, 2011
(UNAUDITED)**

Reporting the Board as a Whole

Statement of Net Assets and the Statement of Activities

A general question typically asked about the Board's finances is "How did we do financially during 2011?" The Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis answers this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's cash receipts and cash disbursements if the cash is actually received or paid.

These two statements report the Board's net assets and changes in those assets on a cash basis. This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Board's property tax base, current property tax laws in Ohio restricting revenue growth, changes in Medicaid funding, changes in required community programs and other factors.

In the Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis, the Board is consisted of the following types of activities:

Governmental activities – The Board's programs and services are reported here including general and Mental Health and Substance Abuse programs. These services are funded primarily by real estate taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the Board's Most Significant Fund

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses a fund to account for financial transactions and has segregated these funds into a major fund. Information for its major fund is presented separately in the governmental fund financial statements. The Board's major governmental fund is the Mental Health and Recovery Services fund.

Governmental Funds

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. For the Board, this fund is reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Since the Board is reporting on the cash basis of accounting, there are no differences between net assets and fund balances or changes in net assets and changes in fund balances. Therefore, no such reconciliation is necessary between such financial statements.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2011 - DECEMBER 31, 2011
(UNAUDITED)**

The Board's budgetary process accounts for certain transactions on the cash basis. The budgetary statement for the Mental Health and Recovery Services fund is presented to demonstrate the Board's compliance with annually adopted budgets. Differences arising between the changes in fund balance presented on the fund financial statements and fund balance on the budgetary statement may be attributed to outstanding encumbrances at year end.

The Board as a Whole

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Board as a whole.

The table below provides a summary of the Board's net assets for 2011 and 2010:

	Net Assets	Net Assets
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Cash with Fiscal Agent	\$ 13,512,054	\$ 12,513,258
Total assets	\$ 13,512,054	\$ 12,513,258
<u>Net Assets</u>		
Restricted:		
Federal Programs	\$ 639,508	\$ -
State Programs	395,297	-
Unrestricted	12,477,249	12,513,258
Total net assets	\$ 13,512,054	\$ 12,513,258

Net assets of the Board's governmental activities increased \$998,796 from 2010, or 8%.

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**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2011 - DECEMBER 31, 2011
(UNAUDITED)**

The table below provides a summary of changes in the Board's net assets for 2011 and 2010:

	Governmental Activities 2011	Governmental Activities 2010
	<u> </u>	<u> </u>
Cash receipts:		
Program cash receipts:		
Operating grants and contributions	\$ 3,968,019	\$ 4,699,698
	<u> </u>	<u> </u>
Total program cash receipts	3,968,019	4,699,698
	<u> </u>	<u> </u>
General cash receipts:		
Property taxes	6,215,576	6,163,782
Unrestricted grants and entitlements	4,675,516	3,780,818
Miscellaneous	71,908	58,673
	<u> </u>	<u> </u>
Total general cash receipts	10,963,000	10,003,273
	<u> </u>	<u> </u>
Total cash receipts	14,931,019	14,702,971
	<u> </u>	<u> </u>
Cash disbursements:		
General Government	832,868	810,180
Behavioral Health Services	13,026,049	13,317,432
Capital Outlay	33,306	90,843
Contingency	40,000	-
	<u> </u>	<u> </u>
Total cash disbursements	13,932,223	14,218,455
	<u> </u>	<u> </u>
Change in net assets	998,796	484,516
Net assets at beginning of year	12,513,258	12,028,742
	<u> </u>	<u> </u>
Net assets at end of year	<u>\$ 13,512,054</u>	<u>\$ 12,513,258</u>

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**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2011 - DECEMBER 31, 2011
(UNAUDITED)**

Behavioral Health Services, which consists of payments to provider agencies, accounted for \$13,026,049 of the total cash disbursements of the Board. These services were offset by \$3,968,019 in operating and grants and contributions. General cash receipts totaled \$10,963,000 and amounted to 73% of total cash receipts. General cash receipts primarily consist of real estate taxes, unrestricted grant entitlements, and miscellaneous receipts.

The Statement of Activities-Cash Basis shows the cost of program services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen below, the Board is highly dependent upon property taxes as well as unrestricted grants and entitlements to support its governmental activities. A comparative analysis of governmental data is presented for 2011 and 2010.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program Cash Disbursements:				
General Government	\$ 832,868	\$ 832,868	\$ 810,180	\$ 810,180
Behavioral Health Services	13,026,049	9,058,030	13,317,432	8,617,734
Capital Outlay	33,306	33,306	90,843	90,843
Contingency	40,000	40,000	-	-
Total	\$ 13,932,223	\$ 9,964,204	\$ 14,218,455	\$ 9,518,757

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**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2011 - DECEMBER 31, 2011
(UNAUDITED)**

Financial Analysis of the Board's Fund

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

Governmental Fund

The Board's governmental fund is accounted for using the cash basis of accounting.

The Board's governmental fund reported a fund cash balance of \$13,512,054, which is \$998,796 higher than last year's combined total of \$12,513,258. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2011 and December 31, 2010, for its major governmental fund.

	<u>Fund Balance 12/31/11</u>	<u>Fund Balance 12/31/10</u>	<u>Increase</u>
Mental Health and Recovery Services Fund	<u>\$ 13,512,054</u>	<u>\$ 12,513,258</u>	<u>\$ 998,796</u>

Budgeting Highlights

The Board's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Board's appropriations which are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the Board's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

The actual cash receipts came in \$944,060 higher than they were in the final budget and actual cash disbursements were \$2,701,921 less than the amount in the final budget. Budgeted cash receipts and disbursements did not change from the original to the final budget.

Capital Assets and Debt Administration

Capital Assets

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

Debt Administration

The Board did not have any outstanding debt at December 31, 2011.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2011 - DECEMBER 31, 2011
(UNAUDITED)**

Economic Conditions and Outlook

The receipts of the Board have been reduced from the state and federal sources with the exception of additional Federal ARRA – Stimulus funds for Medicaid. The additional ARRA funds ended on 06/30/2011. The Board passed a five-year renewal property tax levy in November, 2011 which provides the single largest source of funding. The Board maintained a network of providers that deliver mental health and substance abuse services to the residents of Delaware and Morrow Counties. The Board and its administration maintain careful financial planning and prudent fiscal management in order to balance the budget annually and for long-term service system stability. Due to staffing issues and shortages, several of the contract providers were unable to fully earn non-Medicaid contract amounts. In addition, due to the lag time between the delivery of services and billing by contract providers, payments from one fiscal year are made in the following fiscal year. The Board's fund balance increased as of 12/31/11 due to the fact that contracts and budget are based on a state fiscal year ending 06/30/12 and the audit report is based on a calendar year ending on 12/31/11.

The Board will be challenged to maintain the current level of services and programs due to increased demands, increased costs and expected reduction of state and federal funds. In the near future, the proposed Medicaid program changes will jeopardize the Board's ability to provide services and supports at the needed level for non-Medicaid clients and to meet the needs of continued population growth in our two-county district. The Board maintains enough reserve to secure a viable long-term safety net of services and supports for the residents of Delaware and Morrow Counties.

Due to the continued poor economic conditions and state government changes, the Board is anticipating funding cuts, changes in public policy and corresponding administrative changes in the next fiscal year. However, until the funding situation and these policy changes are finalized, the Board and local service system will be unable to fully adjust to any major changes and any resulting disruption in services to the residents of the two-county area.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, and community with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Ms. Shirley Robinson, Finance Director of the Delaware-Morrow Mental Health and Recovery Services Board, 40 North Sandusky Street, Suite 301, Delaware, Ohio 43015.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011

	<u>Governmental Activities</u>
Assets	
Cash with Fiscal Agent	\$ 13,512,054
<i>Total Assets</i>	<u>\$ 13,512,054</u>
Net Assets	
Restricted:	
Federal Programs	\$ 639,508
State Programs	395,297
Unrestricted	<u>12,477,249</u>
<i>Total Net Assets</i>	<u>\$ 13,512,054</u>

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Cash Disbursements</u>	<u>Program Cash Receipts Operating Grants and Contributions</u>	<u>Net (Cash Disbursements) Cash Receipts and Changes in Net Assets</u>
			<u>Governmental Activities</u>
Governmental Activities			
General Government	\$ 832,868	\$ -	\$ (832,868)
Behavioral Health Services	13,026,049	3,968,019	(9,058,030)
Capital Outlay	33,306	-	(33,306)
Contingency	40,000	-	(40,000)
	<u> </u>	<u> </u>	<u> </u>
<i>Total Governmental Activities</i>	<u><u>\$ 13,932,223</u></u>	<u><u>\$ 3,968,019</u></u>	<u><u>(9,964,204)</u></u>

General Cash Receipts:

Property Taxes Levied for:	
General Purposes	6,215,576
Grants and Entitlements - Unrestricted	4,675,516
Miscellaneous	71,908
	<u> </u>
<i>Total General Receipts</i>	<u>10,963,000</u>
Change in Net Assets	998,796
<i>Net Assets Beginning of Year</i>	<u>12,513,258</u>
<i>Net Assets End of Year</i>	<u><u>\$ 13,512,054</u></u>

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE
GOVERNMENTAL FUND
DECEMBER 31, 2011

	<u>Mental Health and Recovery Services Fund</u>
Assets	
Cash with Fiscal Agent	\$ 13,512,054
<i>Total Assets</i>	<u>\$ 13,512,054</u>
Fund Balance	
Restricted	\$ 1,034,805
Unassigned	12,477,249
<i>Total Fund Balance</i>	<u>\$ 13,512,054</u>

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Mental Health and Recovery Services Fund</u>
Cash Receipts:	
Property and Other Local Taxes	\$6,215,576
Intergovernmental	8,643,535
Miscellaneous	71,908
	14,931,019
 Cash Disbursements:	
Current:	
General Government	832,868
Behavioral Health Services	13,026,049
Capital Outlay	33,306
Contingency	40,000
	13,932,223
<i>Total Cash Disbursements</i>	<i>13,932,223</i>
<i>Net Change in Fund Balance</i>	<i>998,796</i>
<i>Fund Balance Beginning of Year</i>	<i>12,513,258</i>
<i>Fund Balance End of Year</i>	<i>\$13,512,054</i>

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
MENTAL HEALTH AND RECOVERY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Budgetary Basis Receipts:				
Property and Other Local Taxes	\$ 6,163,782	\$ 6,163,782	\$6,215,576	\$ 51,794
Intergovernmental	7,743,177	7,743,177	8,643,535	900,358
Miscellaneous	80,000	80,000	71,908	(8,092)
<i>Total Budgetary Basis Receipts</i>	<u>13,986,959</u>	<u>13,986,959</u>	<u>14,931,019</u>	<u>944,060</u>
Budgetary Basis Disbursements:				
Current:				
General Government	2,654,447	2,654,447	832,868	1,821,579
Behavioral Health Services	13,854,989	13,854,989	13,026,049	828,940
Capital Outlay	79,000	79,000	33,306	45,694
Contingency	45,708	45,708	40,000	5,708
<i>Total Budgetary Basis Disbursements</i>	<u>16,634,144</u>	<u>16,634,144</u>	<u>13,932,223</u>	<u>2,701,921</u>
<i>Net Change in Fund Balance</i>	(2,647,185)	(2,647,185)	998,796	3,645,981
<i>Fund Balance at Beginning of Year</i>	<u>12,513,258</u>	<u>12,513,258</u>	<u>12,513,258</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 9,866,073</u>	<u>\$ 9,866,073</u>	<u>\$ 13,512,054</u>	<u>\$ 3,645,981</u>

See accompanying notes to the basic financial statements

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011**

Note 1 – Reporting Entity

The Delaware-Morrow Mental Health and Recovery Services Board, Delaware, Ohio (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is made up of eighteen members and provides alcohol, drug addiction, and mental health services and programs to citizens of Delaware and Morrow counties. These services are provided primarily through contracts with private and public agencies.

A. Primary Government

A reporting entity is comprised of the primary government, component units and other organizations included in ensuring that the basic financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Board.

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; the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Board is obligated for the debt of the organization. The Board is also financially accountable for any organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt or the levying of their taxes. 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. The Board does not have any component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2, 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). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the Board's accounting policies.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting

The Board's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Board are described in the appropriate section in this note.

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

B. Basis of Presentation

The Board's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The Board's statements are presented as governmental activities, and are generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions.

The statement of net assets presents the financial position of the governmental of the Board at year end. The statement of activities compares cash disbursements with program cash receipts for each of the Board's governmental activities. Cash 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 cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program cash receipts, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Board's general cash receipts.

Fund Financial Statements

During the year, the Board segregates transactions related to certain Board functions or activities in a separate fund 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 its major fund.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The Board's major fund is presented in a separate column. Any nonmajor funds would be aggregated and presented in a single column. The Board had a major fund for the year ended December 31, 2011 which is described below.

C. Fund Accounting

The Board uses fund accounting 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. The funds of the Board are categorized as a governmental fund.

Governmental Fund

The Board classifies funds financed primarily from taxes, intergovernmental cash receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Board's major governmental fund is the Mental Health and Recovery Services fund.

Mental Health and Recovery Services Fund- This fund is used to account for all financial resources and used for alcohol, drug addiction, mental health services and program, and general purposes for citizens in Delaware and Morrow counties.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, 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 ordinance is the Board's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established at the fund, function and object level.

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

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

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

As required by Ohio Revised Code, the Delaware County Treasurer is custodian for the Board's cash. The Board's cash is held in Delaware County's cash and investment pool, and is valued at the County Treasurer's carrying amount. Deposits and investments disclosures for Delaware County may be obtained from the Delaware County Treasurer's office.

For the purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. The Board values investments and cash equivalents at cost.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Board did not report any restricted assets at December 31, 2011.

G. Inventory and Prepaid Items

The Board reports cash disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as cash disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. 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.

J. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the cash disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Long-Term Obligations

The Board's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay disbursement is reported at inception. Lease payments are reported when paid. The Board did not have any long-term obligations new or outstanding at December 31, 2011.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Board did not report restricted net assets subject to enabling legislation. The Board did report restricted net assets of \$1,034,805 at December 31, 2011 for federal and state grants and outstanding contracts.

M. 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 "not in spendable form" criterion includes items that are not expected to be converted to cash. This classification of fund balance did not apply to the Board at December 31, 2011.

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 of Directors (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Directors 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. This classification of fund balance did not apply to the Board at December 31, 2011.

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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Directors, which includes giving management the authority to constrain monies for intended purposes. This classification of fund balance did not apply to the Board at December 31, 2011.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

The Board applies restricted resources first when expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Board had no extraordinary or special items during 2011.

Note 3 – Change in Accounting Principle

During 2011 the Board implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, and GASB Statement No. 59, “*Financial Instruments Omnibus*”.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Board.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 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, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) 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 outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no differences between the budgetary basis and cash basis due to no reservations of fund balance or outstanding advances at December 31, 2011.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 5 – Deposits and Investments

The Delaware County Treasurer serves as the fiscal agent for the Board and is responsible for investing funds in active, inactive and interim deposits.

The Ohio Revised Code restricts deposits and investments to the following:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

In addition, authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if ORC training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Board, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 5 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Delaware County Treasurer serves as the fiscal agent for the Board and the investments of Delaware County funds, including the Board's cash. The Board maintains no control over the investment of its cash. At December 31, 2011, the carrying amount of the Board's deposits was \$13,512,054.

The Board relies on the Delaware County Treasurer to monitor interest rate, credit and concentration of credit risk associated with the Board's deposits.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Delaware and Morrow County. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established which Delaware County has chosen to do.

2011 real property taxes are levied after October 1, 2010, on assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2011 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2010, and are collected in 2011 with real property taxes. The tangible personal property tax is phased out – the assessment percentage for all property including inventory was zero for 2011.

The full tax rate for all Board operations for the year ended December 31, 2011, was \$1.00 per \$1,000 of assessed value. The assessed values (which includes Delaware and Morrow Counties) of real property, public utility property, and tangible personal property upon which 2011 tax receipts were based are as follows:

Real Property	
Residential	\$5,910,193,250
Agriculture	188,876,260
Commercial/Industrial/ Mineral	783,868,570
Public Utility Property	
Real	1,260,630
Personal	<u>166,181,130</u>
Total Assessed Value	<u>\$7,050,379,840</u>

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 7 – Risk Management

The Board participates in a risk-sharing pool, the County risk Sharing Authority (CORSA), for property, casualty, and public officials' insurance coverage. The Board retains the risk for property, casualty, and public officials' insurance coverage up to \$100,000 per occurrence. Following these deductibles, the pool retains the risk per occurrence up to \$1,000,000. An excess policy insures claims exceeding this self-insured retention up to \$10,000,000. The Board would retain any losses above the excess policy level. Settlement amounts have not exceeded insurance coverage for the last three years.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information.

For the year ended December 31, 2011, state statute required employers to contribute 14% of their gross salaries and for employees to contribute 10% of their gross salaries. The Board provides an OPERS pickup of 3.0% as a benefit to all employees except the Executive Director, who receives an OPERS pickup of 7.5%. This increases the Board's total contribution to 24.5% of gross salaries for these employees. The Board contributed \$70,297, \$65,811, and \$63,535 for 2011, 2010, and 2009. Required contributions are equal to 100% of the dollar amount billed.

The Board recognizes the disbursement for employer contributions to the Ohio Public Employees Retirement System (OPERS) when they are paid. The Ohio Revised Code prescribes contribution rates.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined pension plan that has elements of both a defined benefit and a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment 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 Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not exceed 14.00% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified of the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Board contributed \$20,083 toward post-employment benefits for 2011.

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2011 – DECEMBER 31, 2011
(CONTINUED)**

Note 9 - Postemployment Benefits (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 10 – Contingent Liabilities

A. Grants

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Board at December 31, 2011.

B. Litigation

The Board is currently not involved in any pending litigation.

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for its major governmental fund is presented below for 2011:

Fund Balances	Mental Health and Recovery Services Fund
Restricted	
Mental Health State Programs	\$ 363,949
Alcohol and Drug Addiction State Programs	31,348
Mental Health Federal Programs	476,016
Alcohol and Drug Addiction Federal Programs	163,492
<i>Total Restricted</i>	1,034,805
Unassigned	12,477,249
<i>Total Fund Balances</i>	\$13,512,054

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor / Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Rehabilitation Services_Vocational Rehabilitation Grants to States	N/A	84.126	\$ 52,593
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>52,593</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Title XIX - Medical Assistance Program</i>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program	N/A	93.778	1,593,795
ARRA - Medical Assistance Program	N/A	93.778	178,281
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Medical Assistance Program	N/A	93.778	358,146
ARRA - Medical Assistance Program	N/A	93.778	39,006
<i>Total Title XIX - Medical Assistance Program</i>			<u>2,169,228</u>
<i>State Children's Health Insurance Program</i>			
<i>Passed Through Ohio Department of Mental Health:</i>			
State Children's Health Insurance Program	N/A	93.767	322,775
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
State Children's Health Insurance Program	N/A	93.767	67,878
<i>Total State Children's Health Insurance Program</i>			<u>390,653</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Services Block Grant	N/A	93.667	81,649
Block Grants for Community Mental Health Services	N/A	93.958	106,360
<i>Total Passed Through Ohio Department of Health</i>			<u>188,009</u>
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	N/A	93.243	53,452
Block Grant for Prevention and Treatment of Substance Abuse	N/A	93.959	412,957
<i>Total Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			<u>466,409</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,214,299</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,266,892</u>

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

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Board's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

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

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under OMB Circular A-133, the Board is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C - MATCHING REQUIREMENTS

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



**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
40 North Sandusky Street, Suite 301
Delaware, Ohio 43015

We have audited the financial statements of the governmental activities and its major fund of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio (the Board) as of and for the year ended December 31, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated March 1, 2012, wherein we noted the Board uses a comprehensive accounting basis other than generally accepted accounting principles and adopted GASB Statements No. 54 and 59 as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in by the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, 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*.

Wilson, Shannon & Snow, Inc.

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Delaware-Morrow Mental Health and Recovery Services Board
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards
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We intend this report solely for the information and use of management, the Finance Committee, Board of Directors, Auditor of State of Ohio, federal awarding agencies and pass-through entities and others within the Board. We intend it for no one other than these specified parties.

William Sherman E. Sauer, Jr.

Newark, Ohio
March 1, 2012



**Report on Compliance with Requirements Applicable to Its Major Program and on
Internal Control over Compliance required by OMB Circular A-133**

Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
40 North Sandusky Street, Suite 301
Delaware, Ohio 43015

Compliance

We have audited the compliance of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio (the Board) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Board's major federal program for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal program. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control over Compliance

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
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FAX (740) 345-5635

Delaware-Morrow Mental Health and Recovery Services Board
Report on Compliance with Requirements Applicable to
Its Major Program and an Internal Control over
Compliance Required by *OMB Circular A-133*
Page 2

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the Finance Committee, management, Board of Directors, others within the entity, Auditor of State of Ohio, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Wilson, Shanna E. Sawyer, Inc.

Newark, Ohio
March 1, 2012

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies 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 internal control weakness conditions reported for major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major federal program?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title XIX - Medical Assistance Program, CFDA 93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD

DELAWARE 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
MAY 24, 2012**