



**Auditor of State
Betty Montgomery**

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Mental Health and Recovery Services Board
Seneca County
600 North River Road
Tiffin, Ohio 44883-1173

To Members of the Board:

We have audited the accompanying financial statements of the Mental Health and Recovery Services Board, Seneca County, (the Board) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Board prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Mental Health and Recovery Services Board, Seneca County as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 29, 2003

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental</u> <u>Fund Types</u>		<u>Fiduciary</u> <u>Funds</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Expendable</u> <u>Trust</u>	
Cash Receipts:				
Local Match		\$143,916		\$143,916
Grants	\$469,121	5,251,896		5,721,017
Investment Income			\$286	286
Gifts, Donations, and Bequests	2,075			2,075
Other Receipts	7,403	40,014		47,417
	<u>478,599</u>	<u>5,435,826</u>	<u>286</u>	<u>5,914,711</u>
Cash Disbursements:				
Current:				
Salaries	170,039			170,039
Supplies	9,073			9,073
Equipment	1,580			1,580
Contracts - Services	219,273	5,256,079		5,475,352
Travel	14,055			14,055
Public Employee's Retirement	21,576			21,576
Worker's Compensation	580			580
Insurance	14,594			14,594
Medicare	1,516			1,516
Other	113,469			113,469
	<u>565,755</u>	<u>5,256,079</u>		<u>5,821,834</u>
Total Receipts Over/(Under) Disbursements	<u>(87,156)</u>	<u>179,747</u>	<u>286</u>	<u>92,877</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	50,460			50,460
Advances-In	7,239	208,462		215,701
Transfers-Out		(50,460)		(50,460)
Advances-Out		(215,701)		(215,701)
Reimbursements		272,228		272,228
	<u>57,699</u>	<u>214,529</u>		<u>272,228</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursement and Other Financing Disbursement:	<u>(29,457)</u>	<u>394,276</u>	<u>286</u>	<u>365,105</u>
Fund Cash Balances, January 1	218,567	2,454,095	22,356	2,695,018
Fund Cash Balances, December 31	<u>\$189,110</u>	<u>\$2,848,371</u>	<u>\$22,642</u>	<u>\$3,060,123</u>
Reserves for Encumbrances, December 31	<u>\$14,040</u>	<u>\$592,309</u>		<u>\$606,349</u>

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

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mental Health and Recovery Services Board, Seneca County, (MHRS) (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 a joint county community mental health service district as defined by § 340.01, Ohio Revised Code. The Board is directed by an eighteen-member Board. Ten members of the Board are appointed by the boards of county commissioners from the respective counties of which members are residents, four members are appointed by the State of Ohio, Department of Mental Health, and four members are appointed by the State of Ohio, Department of Alcohol and Drug addiction Services. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

The Board provides services to and is a joint venture of Sandusky, Seneca and Wyandot Counties. The counties share in the equity of the MHRS based on the percentages of the population within the three counties. The population for each of the joint venture participants is: Sandusky County 61,792 (43 percent), Seneca County 58,683 (41 percent), and Wyandot County 22,908 (16 percent).

The Seneca County Auditor and Seneca County Treasurer are responsible for accountability of records and cash assets of the Board which are maintained in the funds described below.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

As required by Ohio Revised Code, the County Treasurer is custodian for the Board's cash. The Board's cash is held in the County's cash and investment pool, and is valued at the County Treasurer's 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:

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Board had the following significant Special Revenue Funds:

Medicaid Fund – This fund receives federal money for services rendered by provider agencies.

408 Fund – This fund receives state money for the local match for Medicaid expenditures and support services for disabled adults and children.

3. Fiduciary Funds (Trust Funds)

This fund is used to account for resources restricted by legally binding trust agreements. The Board had the following significant Fiduciary Fund:

Donelson Trust – This fund is an expendable trust fund to be used for the benefit of the people residing in Wyandot County who require mental health assistance.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 budgetary activity appears in Note 2.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$526,984	\$529,059	\$2,075
Special Revenue	6,021,152	5,708,054	(313,098)
Fiduciary	350	286	(64)
Total	\$6,548,486	\$6,237,399	(\$311,087)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$707,822	\$579,795	\$128,027
Special Revenue	6,649,513	5,898,848	750,665
Total	\$7,357,335	\$6,478,643	\$878,692

3. RETIREMENT SYSTEMS

The Board's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, OPERS members contributed 8.5 percent of their gross salaries. The Board contributed an amount equal to 13.55 percent of participants' gross salaries for 2002. The Board has paid all contributions required through December 31, 2002.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

- Property.
- Crime.
- Electronic Data Processing.
- Comprehensive General Liability.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Health:</i>			
Block Grants for Community Mental Health Services			
Community Plan Block Grant	CPBG 02	93.958	\$ 38,081
Community Plan Block Grant	CPBG 03		21,000
Children/Adolescent Core Block Grant	CABG02		23,172
Cultural Competence Block Grant	43-OCS2-BG02-034		10,087
Composite Block Grant	43-ADBG-02-01		<u>850</u>
Total Block Grants for Community Mental Health Services			<u>93,190</u>
Social Services Block Grant - Title XX	MH-42-0202	93.667	55,000
	MH-42-0203		<u>55,000</u>
Total Social Services Block Grant - Title XX			<u>110,000</u>
Medical Assistance Program - Title XIX	MH-FY01	93.778	34,787
	MH-FY02		986,518
	MH-FY03		<u>307,986</u>
Subtotal Medical Assistance Program - Title XIX			<u>1,329,291</u>
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			
Medical Assistance Program - Title XIX	ADA-FY01	93.778	7,969
	ADA-FY02		171,388
	ADA-FY03		<u>25,558</u>
Subtotal Medical Assistance Program - Title XIX			<u>204,915</u>
Total Medical Assistance Program - Title XIX			<u>1,534,206</u>
Block Grants for Prevention and Treatment of Substance Abuse	SAPT 02	93.959	259,010
	SAPT 03		<u>109,158</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>368,168</u>
Total Federal Awards Expenditures			<u>\$ 2,105,564</u>

The accompanying notes are an integral part of this schedule.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2002**

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 and Drug Addiction Services 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 Federal 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 on the Schedule.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Mental Health and Recovery Services Board
Seneca County
600 North River Road
Tiffin, Ohio 44883-1173

To Members of the Board:

We have audited the accompanying financial statements of the Mental Health and Recovery Services Board, Seneca County, (the Board) as of and for the year ended December 31, 2002, and have issued our report thereon dated July 29, 2003. We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Board in a separate letter dated July 29, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Board in a separate letter dated July 29, 2003.

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This report is intended solely for the information and use of the audit committee, management, the Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

July 29, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mental Health and Recovery Services Board
Seneca County
600 North River Road
Tiffin, Ohio 44883-1173

To Members of the Board:

Compliance

We have audited the compliance of the Mental Health and Recovery Services Board, Seneca County, (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 are applicable to each of its major federal programs for the year ended December 31, 2002. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Board in a separate letter dated December 31, 2002.

This report is intended for the information and use of the audit committee, management, the Board, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 29, 2003

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions 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)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program – Title XIX CFDA #93.778 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**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-60574-001	ORC 5705.36	Yes	
2001-60574-002	The Board Level Report for the Block Grant for Prevention and Treatment of Substance Abuse was not completed until 7/9/02	Yes	



**Auditor of State
Betty Montgomery**

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MENTAL HEALTH AND RECOVERY SERVICES BOARD

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 2, 2003**