

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

DELAWARE COUNTY

SINGLE AUDIT

JANUARY 1, 2013 – DECEMBER 31, 2013





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, 2013 through December 31, 2013. 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

March 31, 2014

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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 AUDITOR'S REPORT

To the Board of Directors:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and its major fund of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio, as of December 31, 2013, and the respective changes in cash financial position and the budgetary comparison for the Mental Health and Recovery Services Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
Independent Auditor's Report

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the Board's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and fund balance. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Awards Expenditures Schedule also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2014, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

February 26, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2013 - DECEMBER 31, 2013
(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, 2013, 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 2013 are as follows:

- Net position of the Board's governmental activities increased \$512,265 from 2012, or 4%.
- General cash receipts accounted for \$8,441,782 or 89% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,094,709 or 11% of total governmental activities cash receipts. Total governmental activities cash receipts for 2013 were \$9,536,491.
- The Board had \$9,024,226 in cash disbursements related to governmental activities; \$1,094,709 of these cash disbursements was offset by program specific operating grants or contributions. The remaining cash disbursements of the governmental activities of \$7,929,517 were offset by general cash receipts (primarily taxes and unrestricted grants and entitlements) of \$8,441,782.
- The Board's major governmental fund is the Mental Health and Recovery Services fund. This fund had cash receipts of \$9,536,491 and cash disbursements of \$9,024,226. The net increase in fund balance was \$512,265 or 4%.

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 Position – 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, 2013 - DECEMBER 31, 2013
(UNAUDITED)

Reporting the Board as a Whole

Statement of Net Position and the Statement of Activities

A general question typically asked about the Board's finances is "How did we do financially during 2013?" The Statement of Net Position-Cash Basis and the Statement of Activities-Cash Basis answers this question. These statements present only the net position 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 position and changes in position on a cash basis. This change in net position 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 Position-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 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 position and fund balances or changes in net position 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, 2013 - DECEMBER 31, 2013
(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 Position – Cash Basis provides the perspective of the Board as a whole.

The table below provides a summary of the Board's Net Position for 2013 and 2012:

| | Governmental Activities 2013 | Governmental Activities 2012 |
|------------------------|------------------------------------|------------------------------------|
| <u>Assets</u> | | |
| Cash with Fiscal Agent | \$ 13,265,407 | \$ 12,753,142 |
| Total assets | \$ 13,265,407 | \$ 12,753,142 |
| <u>Net Position</u> | | |
| Restricted: | | |
| Federal Programs | \$ - | \$ 20,223 |
| Unrestricted | 13,265,407 | 12,732,919 |
| Total net position | \$ 13,265,407 | \$ 12,753,142 |

Net position of the Board's governmental activities increased \$512,265 from 2012, or 4%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2013 - DECEMBER 31, 2013
(UNAUDITED)

The table below provides a summary of changes in the Board's Net Position for 2013 and 2012:

| | Governmental Activities 2013 | Governmental Activities 2012 |
|--------------------------------------|------------------------------------|------------------------------------|
| | <u>2013</u> | <u>2012</u> |
| Cash receipts: | | |
| Program cash receipts: | | |
| Operating grants and contributions | \$ 1,094,709 | \$ 932,530 |
| Total program cash receipts | <u>1,094,709</u> | <u>932,530</u> |
| General cash receipts: | | |
| Property taxes | 6,053,779 | 5,960,967 |
| Unrestricted grants and entitlements | 2,220,863 | 4,273,237 |
| Miscellaneous | 167,140 | 119,920 |
| Total general cash receipts | <u>8,441,782</u> | <u>10,354,124</u> |
| Total cash receipts | <u>9,536,491</u> | <u>11,286,654</u> |
| Cash disbursements: | | |
| General Government | 845,633 | 795,925 |
| Behavioral Health Services | 8,171,685 | 11,238,643 |
| Capital Outlay | 6,908 | 10,998 |
| Total cash disbursements | <u>9,024,226</u> | <u>12,045,566</u> |
| Change in net position | 512,265 | (758,912) |
| Net position at beginning of year | <u>12,753,142</u> | <u>13,512,054</u> |
| Net position at end of year | <u>\$ 13,265,407</u> | <u>\$ 12,753,142</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2013 - DECEMBER 31, 2013
(UNAUDITED)

Behavioral Health Services, which consists of payments to provider agencies, accounted for \$8,171,685 of the total cash disbursements of the Board. These services were offset by \$1,094,709 in operating and grants and contributions. General cash receipts totaled \$8,441,782 and comprised 89% of total cash receipts. General cash receipts consist of real estate taxes, unrestricted grants and 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 2013 and 2012.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements

| | Total Cost of Services 2013 | Net Cost of Services 2013 | Total Cost of Services 2012 | Net Cost of Services 2012 |
|-----------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program Cash Disbursements: | | | | |
| General Government | \$ 845,633 | \$ 845,633 | \$ 795,925 | \$ 795,925 |
| Behavioral Health Services | 8,171,685 | 7,076,976 | 11,238,643 | 10,306,113 |
| Capital Outlay | 6,908 | 6,908 | 10,998 | 10,998 |
| Total | <u>\$ 9,024,226</u> | <u>\$ 7,929,517</u> | <u>\$ 12,045,566</u> | <u>\$ 11,113,036</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2013 - DECEMBER 31, 2013
(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 \$13,265,407, which is \$512,265 higher than last year's combined total of \$12,753,142. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2013 and December 31, 2012, for its major governmental fund.

| | Fund Balances 12/31/13 | Fund Balances 12/31/12 | Increase (Decrease) |
|--|---------------------------|---------------------------|------------------------|
| Mental Health and Recovery Services Fund | \$ 13,265,407 | \$ 12,753,142 | \$ 512,265 |

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 \$742,466 higher than they were in the final budget and actual cash disbursements were \$3,372,812 less than the amount in the final budget. Budgeted cash receipts and cash 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, 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JANUARY 1, 2013 - DECEMBER 31, 2013
(UNAUDITED)

Economic Conditions and Outlook

The receipts and fund balance of the Board have remained stable. The Board passed a 1 mill five-year renewal property tax levy in November 2011 which provides the single largest source of funding. In prior years, levy funds decreased due to the elimination of the tangible personal property taxes and the reduction of property valuations. The Board maintains a network of providers that deliver mental health and substance abuse prevention and treatment 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 the lag time between the delivery of services and billing by contract providers, some contract payments from one fiscal year are made in the following fiscal year.

The Board will be challenged to maintain the current level of services and programs due to increased demands, increased costs and expected future reduction of state and federal funds. The Medicaid program changes and "elevation" of the administration and payment by the state impact 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 a reserve to secure a viable long-term safety net of services and supports for the residents of Delaware and Morrow Counties.

Due to the Federal changes under the Affordable Care Act and State government initiatives for the Medicaid program, the Board is anticipating changes in public policy and corresponding administrative changes in the next State fiscal year. However, until these policy changes are finalized, the Board and local service system will be unable to fully adjust to these 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 POSITION - CASH BASIS
DECEMBER 31, 2013

| | <u>Governmental Activities</u> |
|---------------------------|------------------------------------|
| Assets | |
| Cash with Fiscal Agent | \$ 13,265,407 |
| <i>Total Assets</i> | <u>\$ 13,265,407</u> |
| | |
| Net Position | |
| Unrestricted | \$ 13,265,407 |
| <i>Total Net Position</i> | <u>\$ 13,265,407</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, 2013

| | <u>Cash</u> <u>Disbursements</u> | <u>Program Cash Receipts</u> Operating Grants and Contributions | <u>Net (Cash Disbursements)</u> <u>Cash Receipts and</u> <u>Changes in Net Position</u> Governmental Activities |
|--------------------------------------|-------------------------------------|--|---|
| Governmental Activities | | | |
| General Government | \$ 845,633 | \$ - | \$ (845,633) |
| Behavioral Health Services | 8,171,685 | 1,094,709 | (7,076,976) |
| Capital Outlay | <u>6,908</u> | <u>-</u> | <u>(6,908)</u> |
| <i>Total Governmental Activities</i> | <u>\$ 9,024,226</u> | <u>\$ 1,094,709</u> | <u>(7,929,517)</u> |

General Cash Receipts:

Property Taxes Levied for:

| | |
|--|----------------|
| General Purposes | 6,053,779 |
| Grants and Entitlements - Unrestricted | 2,220,863 |
| Miscellaneous | <u>167,140</u> |

Total General Receipts 8,441,782

Change in Net Position 512,265

Net Position Beginning of Year 12,753,142

Net Position End of Year \$ 13,265,407

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, 2013

| | <u>Mental Health and Recovery Services Fund</u> |
|---------------------------|--|
| Assets | |
| Cash with Fiscal Agent | \$ 13,265,407 |
| <i>Total Assets</i> | <u>\$ 13,265,407</u> |
| | |
| Fund Balance | |
| Assigned | \$ 2,429,991 |
| Unassigned | 10,835,416 |
| <i>Total Fund Balance</i> | <u>\$ 13,265,407</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 CHANGE IN
CASH BASIS FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Mental Health and Recovery Services Fund |
|---------------------------------------|---|
| Cash Receipts: | |
| Property and Other Local Taxes | \$ 6,053,779 |
| Intergovernmental | 3,315,572 |
| Miscellaneous | 167,140 |
| | 9,536,491 |
| <i>Total Cash Receipts</i> | <i>9,536,491</i> |
| Cash Disbursements: | |
| Current: | |
| General Government | 845,633 |
| Behavioral Health Services | 8,171,685 |
| Capital Outlay | 6,908 |
| | 9,024,226 |
| <i>Total Cash Disbursements</i> | <i>9,024,226</i> |
| <i>Net Change in Fund Balance</i> | <i>512,265</i> |
| <i>Fund Balance Beginning of Year</i> | <i>12,753,142</i> |
| <i>Fund Balance End of Year</i> | <i>\$ 13,265,407</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, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary Basis Receipts: | | | | |
| Property and Other Local Taxes | \$ 6,233,827 | \$ 6,233,827 | \$ 6,053,779 | \$ (180,048) |
| Intergovernmental | 2,393,058 | 2,393,058 | 3,315,572 | 922,514 |
| Miscellaneous | 167,140 | 167,140 | 167,140 | - |
| <i>Total Budgetary Basis Receipts</i> | <u>8,794,025</u> | <u>8,794,025</u> | <u>9,536,491</u> | <u>742,466</u> |
| Budgetary Basis Disbursements: | | | | |
| Current: | | | | |
| General Government | 2,519,668 | 2,519,668 | 845,633 | 1,674,035 |
| Behavioral Health Services | 9,861,662 | 9,861,662 | 8,171,685 | 1,689,977 |
| Capital Outlay | 10,000 | 10,000 | 6,908 | 3,092 |
| Contingency | 5,708 | 5,708 | - | 5,708 |
| <i>Total Budgetary Basis Disbursements</i> | <u>12,397,038</u> | <u>12,397,038</u> | <u>9,024,226</u> | <u>3,372,812</u> |
| <i>Net Change in Fund Balance</i> | (3,603,013) | (3,603,013) | 512,265 | 4,115,278 |
| <i>Fund Balance at Beginning of Year</i> | <u>12,753,142</u> | <u>12,753,142</u> | <u>12,753,142</u> | <u>-</u> |
| <i>Fund Balance at End of Year</i> | <u>\$ 9,150,129</u> | <u>\$ 9,150,129</u> | <u>\$ 13,265,407</u> | <u>\$ 4,115,278</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, 2013 – DECEMBER 31, 2013

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, 2013 – DECEMBER 31, 2013
(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, cash receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and cash 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 position 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 position 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 position 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 cash 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, 2013 – DECEMBER 31, 2013
(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, 2013 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, 2013 – DECEMBER 31, 2013
(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 restricted assets at December 31, 2013.

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 7 and 8, 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, 2013 – DECEMBER 31, 2013
(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, 2013.

L. Net Position

Net position is 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 position subject to enabling legislation.

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, 2013.

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. This classification of fund balance did not apply to the Board at December 31, 2013.

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, 2013.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2013 – DECEMBER 31, 2013
(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 2013.

Note 3 – 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, 2013.

Note 4 – 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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2013 – DECEMBER 31, 2013
(CONTINUED)

Note 4 – Deposits and Investments (Continued)

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.

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, 2013, the carrying amount of the Board's deposits was \$13,265,407.

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 5 – 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 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2013 – DECEMBER 31, 2013
(CONTINUED)

Note 5 – Property Taxes (Continued)

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.

2013 real property taxes are levied after October 1, 2012, on assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2012, and are collected in 2013 with real property taxes. The tangible personal property tax is phased out – the assessment percentage for all property including inventory was zero for 2013.

The full tax rate (with the exception of public utility tangible personal property) for all Board operations for the year ended December 31, 2013, was \$1.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2013 tax receipts were based are as follows:

| | |
|--------------------------------|-------------------------------|
| Real Property | |
| Residential | \$5,753,217,380 |
| Agriculture | 240,712,790 |
| Commercial/Industrial/ Mineral | 755,241,500 |
| | |
| Public Utility Property | |
| Real | 1,322,890 |
| Personal | <u>184,886,580</u> |
| | |
| Total Assessed Value | <u>\$6,935,381,140</u> |

Note 6 – 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2013 – DECEMBER 31, 2013
(CONTINUED)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description –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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

Funding Policy – The Board and covered employees contribute at actuarially determined rates for 2013, 14% and 10%, respectively, of covered employee payroll to OPERS. 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 10%. This increases the Board's total contribution to 27% of gross salaries for these employees. The Board's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$68,527, \$70,442, and \$70,297, respectively. Required contributions are equal to 100% of the dollar amount billed for 2013, 2012 and 2011.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description –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 benefit plan that has elements of both a defined benefit and defined contribution plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2013 – DECEMBER 31, 2013
(CONTINUED)

Note 8 - Postemployment Benefits (Continued)

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including 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 as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage 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 coverage.

Employer contribution rates are expressed as percentages of the covered payroll of active members. For 2013, state and local employers contributed a rate of 14.00% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of 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 2012 (the latest information available). The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012 (the latest information available). Effective January 1, 2013, the portion of the employer contributions allocated to healthcare was lowered 1 percent for both plans, as recommended by the OPERS Actuary. 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's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$19,579, \$20,125, and \$20,083. 100% was contributed for 2013, 2012, and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JANUARY 1, 2013 – DECEMBER 31, 2013
(CONTINUED)

Note 9 – 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, 2013.

B. Litigation

The Board is currently not involved in any pending litigation.

Note 10 – Fund Balance

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 2013:

| <u>Fund Balance</u> | <u>Mental Health and Recovery Services Fund</u> |
|--------------------------------|---|
| Assigned for: | |
| Subsequent Year Appropriations | \$ 2,429,991 |
| Unassigned | 10,835,416 |
| Total Fund Balance | <u>\$ 13,265,407</u> |

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

FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

| Federal Grantor / Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Expenditures |
|--|---|------------------------------------|--------------------------|
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| <i>Passed Through Ohio Department of Mental Health:</i> | | | |
| Social Services Block Grant | N/A | 93.667 | \$ 38,413 |
| <i>Passed Through Ohio Department of Mental Health and Addiction Services:</i> | | | |
| Social Services Block Grant | N/A | 93.667 | 67,389 |
| <i>Total Social Services Block Grant</i> | | | <u>105,802</u> |
| <i>Passed Through Ohio Department of Mental Health:</i> | | | |
| Block Grants for Community Mental Health Services | N/A | 93.958 | 66,586 |
| <i>Passed Through Ohio Department of Mental Health and Addiction Services:</i> | | | |
| Block Grants for Community Mental Health Services | N/A | 93.958 | 122,722 |
| <i>Total Block Grants for Community Mental Health Services</i> | | | <u>189,308</u> |
| <i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i> | | | |
| Block Grant for Prevention and Treatment of Substance Abuse | N/A | 93.959 | 339,450 |
| <i>Passed Through Ohio Department of Mental Health and Addiction Services:</i> | | | |
| Block Grant for Prevention and Treatment of Substance Abuse | N/A | 93.959 | 157,190 |
| <i>Total Block Grants for Prevention and Treatment of Substance Abuse</i> | | | <u>496,640</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | <u>791,750</u> |
| TOTAL FEDERAL AWARDS | | | <u>\$ 791,750</u> |

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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 Mental Health and 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 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.



**INDEPENDENT AUDITOR'S 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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities 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, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 26, 2014, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

Internal Control over Financial Reporting

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
February 26, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR FEDERAL 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

To the Board of Directors:

Report on Compliance for Its Major Federal Program

We have audited the Delaware-Morrow Mental Health and Recovery Services Board (the Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Delaware-Morrow Mental Health and Recovery Services Board's major federal program for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Board's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Opinion on the Major Federal Program

In our opinion, the Delaware-Morrow Mental Health Services and Recovery Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Wilson, Sherman & Snow, Inc.

Newark, Ohio
February 26, 2014

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

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

DECEMBER 31, 2013

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material 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 | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under §.510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Block Grant for Prevention and Treatment of Substance Abuse, CFDA 93.959 |
| <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

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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
APRIL 10, 2014**