



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Members of the Board:

We have audited the accompanying financial statements of the Delaware-Morrow Mental Health and Recovery Services Board (the Board) as of and for the year ended June 30, 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 described in Note 1, the Board prepares its financial statement 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 cash balance and reserve for encumbrances of the Board as of June 30, 2002, and its 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 October 29, 2002 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.

Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
Report of Independent Accountants
Page 2

We performed our audit to form an opinion on the financial statement of the Board, taken as a whole. The accompanying schedule of federal awards expenditures 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

October 29, 2002

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30,2002**

Cash Receipts:	
Taxes	\$2,083,068
Grants	5,715,776
Other Receipts	<u>216,012</u>
Total Cash Receipts	<u>8,014,856</u>
Cash Disbursements:	
Current:	
Salaries	413,859
Operating	905,914
Contracts - Services	<u>6,611,625</u>
Total Disbursements	<u>7,931,398</u>
Total Receipts Over/(Under) Disbursements	83,458
Cash Balances, July 1	<u>3,012,425</u>
Cash Balance, June 30	<u><u>\$3,095,883</u></u>
Reserves for Encumbrances, June 30	<u><u>\$3,385,189</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, 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 a joint venture between Delaware and Morrow Counties and has a responsibility for development, coordinated continuation and ongoing modernization, funding, monitoring, and evaluation of community-based mental health and substance abuse programming. Under Ohio law the Board is to be directed by an eighteen-member Board. Board members are appointed by the Board's Director and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are *Alcohol and Drug Addiction, Delaware County, and Morrow County*. 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 exercises total control of the operation, including budgeting, appropriation, contracting, and design management.

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

As required by Ohio Revised Code, the Delaware 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. Budgetary Process

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

1. Appropriations

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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.

4. Budgetary Presentation

Although, in accordance with Ohio law, the Board adopts a calendar year budget, the internal accounting records are maintained on a June 30 fiscal year end. This is done to facilitate reporting to the State of Ohio for the federal and state funding.

The Board has not adopted, nor reported, on a December 31 fiscal year end which is required by the Ohio Revised Code Section 9.34.

A summary of budgetary activity for the year ended June 30, 2002 appears in Note 2.

E. 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.

F. 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 Board's basis of accounting.

2. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2002 follows:

2002 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$7,533,341	\$8,014,856	\$481,515

2002 Budgeted vs. Actual Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$11,770,017	\$11,316,587	\$453,430

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Grants. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The Delaware and Morrow County Treasurers collect property taxes on behalf of all taxing districts within their County and are responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board. Mental Health levy taxes collected in Morrow County are paid to the Delaware County, Treasurer, who is the fiscal agent of the Board.

4. RETIREMENT SYSTEMS

The Board's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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 the year ended June 30, 2002, PERS members contributed 8.5% of their gross salaries. The Board contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2002. The Board has paid all contributions required through June 30, 2002.

5. RISK MANAGEMENT

The Board has obtained commercial insurance for the following risks:

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

The Board also provides health insurance and dental coverage to full-time employees through a private carrier.

6. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program	N/A	93.778	\$1,147,455
Social Services Block Grant	C-8-00-07	93.667	52,827
Community Mental Health Services Block Grants:		93.958	
Alternative Care for Teens	N/A		16,744
Community Block Grant	N/A		50,912
Consumer Outcomes Incentive Grant			-
Children's Block Grant	N/A		81,709
Recovery Systems Development Grant	N/A		<u>53,947</u>
Total Community Mental Health Services Block Grant			203,312
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Medical Assistance Program	N/A	93.778	155,874
Prevention and Treatment of Substance Abuse Block Grant		93.959	
Treatment Block Grant	N/A		278,876
Prevention Block Grant	N/A		69,719
Drug Abuse Block Grant	N/A		2,385
Mentoring Project	N/A		50,769
Women's 10% Setaside Grant	N/A		<u>92,938</u>
Total Prevention and Treatment of Substance Abuse Block Grant			<u>494,687</u>
Total U.S. Department of Health and Human Services			<u>2,054,155</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Drug Free Schools and Communities	N/A	84.186	<u>118,000</u>
Total			<u><u>\$2,172,155</u></u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 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 – SUB-RECIPIENTS

The Board passes-through certain Federal assistance received from the Ohio Department of Mental Health, Ohio Department of Education, and the Ohio Department of Alcohol and Drug Addiction Services to other governments of not-for-profit agencies (subrecipients). As described in Note A, the Board records expenditures of Federal awards to sub-recipients when paid in cash. All monies recorded on the Schedule are passed along to provider agencies acting as subrecipients.

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the Board is responsible for monitoring sub-recipients 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.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 Members of the Board:

We have audited the financial statements of the Delaware-Morrow Mental Health and Recovery Services Board (the Board) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 29, 2002. 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.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-60621-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Board in a separate letter dated October 29, 2002.

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.

Delaware-Morrow Mental Health and Recovery Services Board
Delaware County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board, and 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

JIM PETRO
Auditor of State

October 29, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To Members of the Board:

Compliance

We have audited the compliance of the Delaware-Morrow Mental Health and Recovery Services Board, (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 June 30, 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 June 30, 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.

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.

This report is intended solely for the information and use of the audit committee, management, the Board, and 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.



JIM PETRO
Auditor of State

October 29, 2002

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 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)?	Yes
(d)(1)(iv)	Were 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):	CFDA 93.778 – Medical Assistance Program CFDA 93.959 – Prevention and Treatment of Substance Abuse Block Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-60621-001

Ohio Rev. Code Section 9.34 requires every governmental unit except the state and school districts to adopt a December 31 fiscal year-end.

The Board has adopted a June 30 fiscal year-end.

The failure to report on a December 31 fiscal year-end may lead to inaccurate financial reporting, budgeting and monitoring difficulties, and possible non-compliance.

We recommend the Board develop plans to report on a December 31 fiscal year-end.

3. FINDINGS FOR FEDERAL AWARDS

None

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60621-001	ORC 9.34 requires the Board to report on a calendar year basis.	No	Not Corrected - The Board continues to report on a June 30 fiscal-year end.



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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
NOVEMBER 19, 2002**