



Dave Yost • Auditor of State

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

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

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties, Seneca County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Medicaid and Net Flex funds thereof for the year then ended in conformity with the accounting basis Note 1 describes.

As described in Note 3, during 2011 the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties, Seneca County, Ohio, adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2012, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

June 19, 2012

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The discussion and analysis of the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2011, within the limitations 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 basic financial statements and notes to the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for the year 2011 are as follows:

- Net assets decreased \$334,487 or 8.07% from the prior year. The majority of this decrease occurred in the Net Flex fund which had disbursements greater than intergovernmental and miscellaneous receipts.
- Program specific receipts in the form of charges for services and operating grants and contributions comprise the largest percentage of the Board's receipts, making up almost 73.20% of all the dollars coming into the Board. General receipts in the form of grants and entitlements, property taxes and intergovernmental receipts in Seneca and Wyandot Counties, donations and miscellaneous receipts make up the other 26.80%.
- The Board's disbursements increased by \$879,542 or 13.93% from the prior year. The majority of this increase occurred in the governmental non-major funds due to the addition of several new funds during the year.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Board as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Board as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(CONTINUED)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Board as a Whole

The statement of net assets and the statement of activities reflect how the Board did financially during 2011, within the limitations of the cash basis of accounting. The Statement of Net Assets - Cash Basis presents the cash balances of the governmental activities of the Board at year-end. The Statement of Activities - Cash Basis compares disbursements with program receipts for each governmental activity. Program 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 receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position is one indicator of whether the Board's financial health is improving or deteriorating. When evaluating the Board's financial condition, you should also consider other non-financial factors as well such as the Board's property tax base, the condition of the Board's capital assets, the reliance on non-local financial resources for operations and the need for continued growth.

The Statement of Net Assets and the Statement of Activities present governmental activities, which include all the Board's services. The services are primarily funded by operating grants, property taxes in Seneca and Wyandot counties and contributions. The Board has no business-type activities.

Reporting the Board's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Board's major funds - not the Board as a whole. The Board establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the Board are governmental.

Governmental Funds - The Board's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Board's governmental operations and the mental health and alcohol and drug addiction services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's mental health and alcohol and drug addiction programs. The Board's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Board's major governmental funds are the General fund, Medicaid fund, and Net Flex fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(CONTINUED)**

Reporting the Board's Fiduciary Responsibilities

The Board is the trustee, or fiduciary, for its trust agreement. This activity is presented as a private-purpose trust fund. The Board's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Board's other financial statements because the assets cannot be utilized by the Board to finance its operations.

The Board as a Whole

Table 1 provides a summary of the Board's net assets for 2011 compared to 2010 on cash basis:

**Table 1
Net Assets**

	Governmental Activities	
	2011	2010
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 3,815,321	\$ 4,149,808
Total assets	<u>\$ 3,815,321</u>	<u>\$ 4,149,808</u>
<u>Net assets</u>		
Restricted for:		
Other purposes	\$ 1,891,987	\$ 2,252,781
Unrestricted	<u>1,923,334</u>	<u>1,897,027</u>
Total net assets	<u>\$ 3,815,321</u>	<u>\$ 4,149,808</u>

As mentioned previously, net assets decreased \$334,487. The decrease is due primarily to an increase in disbursements made during 2011.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(CONTINUED)**

Table 2 reflects the change in net assets in 2011 and provides a comparison to prior year amounts:

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2011	2010
Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 16,851	\$ 9,069
Operating grants and contributions	5,002,969	5,407,670
Total program cash receipts	<u>5,019,820</u>	<u>5,416,739</u>
General receipts:		
Property taxes	896,627	889,674
Grants and entitlements not restricted by specific program	871,760	704,116
Donations	654	560
Miscellaneous	68,779	53,579
Total general receipts	<u>1,837,820</u>	<u>1,647,929</u>
Total receipts	<u>6,857,640</u>	<u>7,064,668</u>
Disbursements:		
Mental health services:		
Medicaid	1,842,114	2,476,030
Net flex	1,362,544	1,810,752
Title XX	108,247	54,059
Suicide prevention		824
ODMH Medicaid	562,689	
508 case management	844	
508 children/adolescent	181,281	171,362
Mental health block grant	71,124	40,477
Forensic services	4,000	4,000
Cultural competency		575
Alcohol and drug addition services:		
State per capita	458,838	314,169
Court referred driver	11,641	10,577
Treatment alternative street crime	171,702	161,422
Federal ADAMHS	489,996	358,997
Preventive state incentive	52,130	
ODADAS Medicaid	129,618	
Substance abuse mental health services:		
Administration	1,745,359	909,341
Total disbursements	<u>7,192,127</u>	<u>6,312,585</u>
Change in net assets	(334,487)	752,083
Net assets at beginning of year	<u>4,149,808</u>	<u>3,397,725</u>
Net assets at end of year	<u>\$ 3,815,321</u>	<u>\$ 4,149,808</u>

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(CONTINUED)**

In 2011, 26.80% of the Board's total receipts were from general receipts, consisting mainly of state grants and entitlements not restricted by specific programs, property taxes from Seneca and Wyandot Counties, donations and miscellaneous receipts. Program receipts accounted for 73.20% of the Board's total receipts in year 2011. These receipts consist primarily of charges for services reimbursement from the municipal court for indigent drivers and state and federal operating grants.

Administration accounted for 24.27% of the Board's total disbursement for 2011. These costs represent the costs to administer all programs not supported by special receipts and expenditures for services provided from the property taxes for mental health and alcohol and drug addiction services from Seneca and Wyandot Counties. Of the other major governmental funds, 25.61% of the Board's total disbursements were from the Medicaid fund and 18.94% were from the Net Flex fund.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Board. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Medicaid, Net Flex, and Administration, which account for 25.61%, 18.94%, and 24.27% of all governmental disbursements, respectively. The next two columns of the statement entitled Program Cash Receipts identify amounts paid by the municipal court charged for services and grants received by the Board that must be used to provide specific service. The net receipts (disbursements) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by federal and state subsidies. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost for both the current and prior years is presented in Table 3. A comparative analysis of government-wide data from 2010 is provided.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(CONTINUED)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Program disbursements:				
Mental health services:				
Medicaid	\$ 1,842,114	\$ (214,283)	\$ 2,476,030	\$ (14,133)
Net flex	1,362,544	530,897	1,810,752	6,508
Title XX	108,247	538	54,059	(11,287)
Suicide prevention			824	824
ODMH Medicaid	562,689	(70,981)		
508 case management	844	(23,744)		
508 children/adolescent	181,281	61,883	171,362	(1,490)
Mental health block grant	71,124	11,144	40,477	(15,651)
Forensic services	4,000	(2,196)	4,000	(481)
Cultural competency			575	575
Alcohol and drug addition services:				
State per capita	458,838	82,993	314,169	(26,663)
Court referred driver	11,641	(5,261)	10,577	798
Treatment alternative street crime	171,702		161,422	29,363
Federal ADAMHS	489,996	76,163	358,997	18,142
Preventive state incentive	52,130	(11,080)		
ODADAS Medicaid	129,618	(9,125)		
Substance abuse mental health services:				
Administration	<u>1,745,359</u>	<u>1,745,359</u>	<u>909,341</u>	<u>909,341</u>
Totals	<u>\$ 7,192,127</u>	<u>\$ 2,172,307</u>	<u>\$ 6,312,585</u>	<u>\$ 895,846</u>

The Board's Funds

Total governmental funds had receipts of \$6,857,640 and disbursements \$7,192,127. The fund balance from the general fund increased due to increasing property tax receipts and unrestricted grants and entitlements received from state and federal sources. This resulted in a \$26,307 increase in fund balance in the general fund, from \$1,897,027 to \$1,923,334.

The Medicaid fund's receipts and disbursements decreased approximately \$430,000 and \$630,000, respectively, compared to the prior year. The Medicaid fund's fund balance increased \$214,283 from \$375,115 to \$589,398.

The Net Flex fund's receipts and disbursements decreased approximately \$951,000 and \$448,000, respectively, from the prior year. The Net Flex fund's fund balance decreased \$464,743 from \$1,204,762 to \$740,019.

General Fund Budgeting Highlights

The Board's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2011, the Board amended its budget as needed.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(CONTINUED)**

The general fund's final budgeted receipts, were \$611,907 more than the original budget. Actual receipt collections were \$553 more than final budget estimates. Final budgeted disbursements were \$197,217 more than the original budgeted disbursements. Actual disbursements were \$151,293 less than final budgeted disbursements.

Capital Assets

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

Current Issues

A major challenge for the Board is to provide quality treatment and prevention services to the public while complying with the restrictions imposed by limited, and in some cases shrinking, funding. We rely on allocations and grants through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and are diligent in searching for new funding sources that are closely related to our mission in order to allow our programs to continue. This Board is also quite concerned about providers for Medicaid services located in the State of Ohio to continue to provide services for Medicaid patients. While we recognize the value our consumers have to choose from a selection of many more providers for Medicaid services, a huge weight has been placed on the Board's shoulders to plan for services for which we have no mechanism to plan accordingly, and are obligated to dedicate limited resources.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Board's finances and to reflect the Board's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nancy A. Cochran, Executive Director, 600 N. River Road, Tiffin, OH 44883-1173.

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,815,321
Net assets:	
Restricted for:	
Other purposes	\$ 1,891,987
Unrestricted	<u>1,923,334</u>
Total Net Assets	<u>\$ 3,815,321</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

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

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:			
Mental health services:			
Medicaid	\$ 1,842,114	\$ 2,056,397	\$ 214,283
Net flex	1,362,544	831,647	(530,897)
Title XX	108,247	107,709	(538)
ODMH Medicaid	562,689	633,670	70,981
508 case management	844	24,588	23,744
508 children/adolescent	181,281	119,398	(61,883)
Mental health block grant	71,124	59,980	(11,144)
Forensic services	4,000	6,196	2,196
Alcohol and drug addition services:			
State per capita	458,838	375,845	(82,993)
Court referred driver	11,641	\$ 16,851	51
Treatment alternative street crime	171,702	171,702	
Federal ADAMHS	489,996	413,833	(76,163)
Preventive state incentive	52,130	63,210	11,080
ODADAS Medicaid	129,618	138,743	9,125
Substance abuse mental health services:			
Administration	1,745,359		(1,745,359)
Total Governmental Activities	\$ 7,192,127	\$ 16,851	\$ 5,002,969
General receipts:			
Property taxes levied for:			
General purposes			896,627
Grants and entitlements not restricted to specific programs			871,760
Donations			654
Miscellaneous			68,779
			1,837,820
Total general receipts			1,837,820
Change in net assets			(334,487)
Net assets at beginning of year			4,149,808
Net assets at end of year			\$ 3,815,321

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

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

	<u>General</u>	<u>Medicaid</u>	<u>Net Flex</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,923,334	\$ 589,398	\$ 740,019	\$ 562,570	\$ 3,815,321
Fund balances:					
Restricted:					
Mental health services		\$ 589,398	\$ 740,019	\$ 223,832	\$ 1,553,249
Alcohol and drug addiction services				338,738	338,738
Assigned:					
Administration	\$ 377,691				377,691
Unassigned	1,545,643				1,545,643
Total fund balances	<u>\$ 1,923,334</u>	<u>\$ 589,398</u>	<u>\$ 740,019</u>	<u>\$ 562,570</u>	<u>\$ 3,815,321</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

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

	<u>General</u>	<u>Medicaid</u>	<u>Net Flex</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property and other local taxes	\$ 896,627				\$ 896,627
Intergovernmental	871,760	\$ 2,056,397	\$ 831,647	\$ 2,114,925	5,874,729
Donations	654				654
Charges for services				16,851	16,851
Miscellaneous	2,625		66,154		68,779
Total receipts	<u>1,771,666</u>	<u>2,056,397</u>	<u>897,801</u>	<u>2,131,776</u>	<u>6,857,640</u>
Disbursements:					
Current:					
Mental health services:					
Medicaid		1,842,114			1,842,114
Net flex			1,362,544		1,362,544
Title XX				108,247	108,247
ODMH Medicaid				562,689	562,689
508 case management				844	844
508 children/adolescent				181,281	181,281
Mental health block grant				71,124	71,124
Forensic services				4,000	4,000
Alcohol and drug addition services:					
State per capita				458,838	458,838
Court referred driver				11,641	11,641
Treatment alternative street crime				171,702	171,702
Federal ADAMHS				489,996	489,996
Preventive state incentive				52,130	52,130
ODADAS Medicaid				129,618	129,618
Substance abuse mental health services:					
Administration	1,745,359				1,745,359
Total disbursements	<u>1,745,359</u>	<u>1,842,114</u>	<u>1,362,544</u>	<u>2,242,110</u>	<u>7,192,127</u>
Net change in fund balances	26,307	214,283	(464,743)	(110,334)	(334,487)
Fund balances at beginning of year	<u>1,897,027</u>	<u>375,115</u>	<u>1,204,762</u>	<u>672,904</u>	<u>4,149,808</u>
Fund balances at end of year	<u>\$ 1,923,334</u>	<u>\$ 589,398</u>	<u>\$ 740,019</u>	<u>\$ 562,570</u>	<u>\$ 3,815,321</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and other local taxes	\$ 586,666	\$ 896,627	\$ 896,627	
Intergovernmental	570,395	871,611	871,760	\$ 149
Donations	428	250	654	404
Miscellaneous	1,717	2,625	2,625	
Total receipts	<u>1,159,206</u>	<u>1,771,113</u>	<u>1,771,666</u>	<u>553</u>
Disbursements:				
Current:				
Substance abuse mental health services:				
Administration	2,077,126	2,274,343	2,123,050	151,293
Net change in fund balance	(917,920)	(503,230)	(351,384)	151,846
Fund balance at beginning of year	1,586,926	1,586,926	1,586,926	
Prior year encumbrances appropriated	310,101	310,101	310,101	
Fund balance at end of year	<u>\$ 979,107</u>	<u>\$ 1,393,797</u>	<u>\$ 1,545,643</u>	<u>\$ 151,846</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Intergovernmental	\$ 2,805,000	\$ 1,936,899	\$ 2,056,397	\$ 119,498
Disbursements:				
Current:				
Mental health services:				
Medicaid	3,145,914	2,101,349	2,091,349	10,000
Net change in fund balance	(340,914)	(164,450)	(34,952)	129,498
Fund balance at beginning of year	34,201	34,201	34,201	
Prior year encumbrances appropriated	340,914	340,914	340,914	
Fund balance at end of year	<u>\$ 34,201</u>	<u>\$ 210,665</u>	<u>\$ 340,163</u>	<u>\$ 129,498</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET BASIS
NET FLEX FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Intergovernmental	\$ 1,496,964	\$ 831,647	\$ 831,647	
Miscellaneous		66,154	66,154	
Total receipts	<u>1,496,964</u>	<u>897,801</u>	<u>897,801</u>	
Disbursements:				
Current:				
Mental health services:				
Net flex	<u>2,117,905</u>	<u>1,715,097</u>	<u>1,540,345</u>	<u>\$ 174,752</u>
Net change in fund balance	(620,941)	(817,296)	(642,544)	174,752
Fund balance at beginning of year	860,467	860,467	860,467	
Prior year encumbrances appropriated	<u>344,295</u>	<u>344,295</u>	<u>344,295</u>	
Fund balance at end of year	<u>\$ 583,821</u>	<u>\$ 387,466</u>	<u>\$ 562,218</u>	<u>\$ 174,752</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Private Purpose Trust</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 20,365
Net assets:	
Restricted for:	
Other purposes	\$ 20,365

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

STATEMENT OF CHANGES IN CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Private Purpose Trust</u>
Additions:	
Interest	<u>\$ 18</u>
Net assets at beginning of year	<u>20,347</u>
Net assets at end of year	<u><u>\$ 20,365</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 - REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio (the Board), as a body corporate and politic. An eighteen-member Board is the governing body. Ten members of the Board are appointed by the Board of County Commissioners from the respective counties of which members are residents, four members are appointed by the State of Ohio, Department of Mental Health and four members are appointed by the State of Ohio, Department of Alcohol and Drug Addiction Services. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. Private and public agencies are the primary service providers, through Board contracts.

A. Primary Government

The Board plans for, contracts for, monitors, and evaluates services to and is a joint venture of Seneca, Sandusky, and Wyandot Counties. The counties share in the equity of the Board based on the percentage of the population within the three counties. The population in each of the joint venture participants is: Sandusky County 60,944 (43 percent), Seneca County 56,745 (41 percent) and Wyandot County 22,615 (16 percent).

The Seneca County Auditor acts as fiscal agent for the Board and the Seneca County Treasurer acts as custodian of all funds.

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

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; or the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization. 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 has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, 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). Generally accepted accounting principles 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Board's accounting policies.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The statements show those activities of the Board that are governmental. Governmental activities generally are financed through intergovernmental receipts or other nonexchange transactions.

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

Fund Financial Statements

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order 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 major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Board uses funds 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.

Governmental Funds

Governmental funds are those through which most governmental functions of the Board are financed. The following are the Board's major governmental funds:

General Fund - The general fund accounts for all financial resources, except those required to be accounted for in another fund. The General fund balance is available to the Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Flex Fund - This fund receives state money for the local match for Medicaid expenditures and support services for disabled adults and children.

Fiduciary Fund

Fiduciary fund includes a private purpose trust fund. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Board's own programs. The Board had the following significant fiduciary fund:

Donelson Trust - This fund is a private purpose trust fund used for the benefit of the people residing in Wyandot County who require mental health assistance.

The other governmental funds of the Board account for grants and other resources whose use is restricted for a particular purpose.

C. Basis of Accounting

The Board's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this 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 liabilities and their related expenses) are not recorded in these financial statements.

D. Budgetary Process

All 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 resolution, 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 resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund and object level for all funds.

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

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Investments

In accordance with the Ohio Revised Code, the Board's cash is held and invested by the Seneca County Treasurer, who acts as custodian for the Board's monies. The Board's assets are held in the County Treasurer's cash and investment pool, and are valued at the Treasurer's reported carrying amount. Individual fund integrity is maintained through Board records.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. 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.

H. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for 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.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include grants for specific purposes.

The Board's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted resources are available.

J. 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:

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board 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.

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.

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.

K. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the Board has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Board.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget Basis presented for the General fund, the Medicaid fund and the Net Flex fund are 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 are treated as cash disbursements on a budgetary basis but are not on the cash basis of accounting. The encumbrances outstanding at year end (budgetary basis) amounted to \$377,691 for the general fund, \$249,235 for the Medicaid fund and \$177,801 for the Net Flex fund.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility located in the Board. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by State statute at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 5 - PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Board due to the phasing out of the tax. In calendar years 2009-2010, the Board was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all Board operations for the year ended December 31, 2011 was \$3.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real property	\$ 887,121,200
Public utility personal property	<u>50,414,250</u>
Total assessed valuation	<u>\$ 937,535,450</u>

NOTE 6 - RISK MANAGEMENT

The Board is exposed to various risks of property and casualty losses and injuries to employees.

The Board insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Crime;
- Public employee dishonesty; and,
- Directors and officers liability.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description - The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml> writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members in State and local classifications. The Board's contribution rate for 2011 was 14.00% of covered payroll.

The Board's contribution rate for pension benefits for 2011 was 10.00%. The Board's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010 and 2009 were \$31,916, \$23,562 and \$22,584, respectively. 100% has been contributed for 2011, 2010 and 2009.

NOTE 8 - POSTEMPLOYMENT BENEFITS

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but not does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml> writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2011 was 4.00%.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Board's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010 and 2009 were \$12,767, \$13,433 and \$16,330, respectively; 100% has been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 9 - CONTINGENCIES AND GRANTS

The Board receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Board. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Board.

NOTE 10 - COMMITMENTS

The Board utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Board's commitments for encumbrances in the governmental funds were as follows:

General fund	\$ 377,691
Major special revenue funds:	
Medicaid	249,235
Net Flex	177,801
Other governmental funds	<u>130,910</u>
Total	<u>\$ 935,637</u>

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Rehabilitation Services Vocational Rehabilitation Grants to States	RTW - FY12	84.126	<u>\$ 844</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Services Block Grant		93.667	70,729
			<u>37,518</u>
Total Social Services Block Grant			<u>108,247</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	EC MH - FY11	93.596	<u>33,118</u>
Block Grants for Community Mental Health Services	CA FY 11 CA FY 12 CPBG 11 CPBG 12 FOR - 11	93.958	16,501 9,940 43,716 27,409 <u>2,675</u>
Total Block Grants for Community Mental Health Services			<u>100,241</u>
Medical Assistance Program	MH-FY10 MH-FY11	93.778	4,490 1,426,132
<i>Passed Through Ohio Department of Alcohol and Drug and Addiction Services:</i>			
	AOD-FY10 AOD-FY11		1,026 <u>186,513</u>
Total Medical Assistance Program			<u>1,618,161</u>
ARRA - Medical Assistance Program	MH-FY10 MH-FY11	93.778	469 94,347
<i>Passed Through Ohio Department of Alcohol and Drug and Addiction Services:</i>			
	AOD-FY 10 AOD-FY11		116 <u>13,066</u>
Total ARRA - Medical Assistance Program			<u>107,998</u>
Total All Medical Assistance Programs			<u>1,726,159</u>
<i>Passed Through Ohio Department of Alcohol and Drug and Addiction Services:</i>			
Substance Abuse and Mental Health Serviced Projects of Regional and National Significance	SPF-SIG - FY11 SPF-SIG - FY12	93.243	32,842 19,288
Total Substance Abuse and Mental Health Projects of Regional and National Significance			<u>52,130</u>
State Children's Insurance Program	SCIP -11 MH -SCIP -10 MH-SCIP -11	93.767	5,682 318 <u>109,955</u>
Total Children's Insurance Program			<u>115,955</u>
Block Grants for Prevention and Treatment of Substance Abuse	TASC-11 TASC-12 DFCC-11 DFCC-12 SAPT-11 SAPT-12 SAPT-11	93.959	132,132 39,570 21,944 7,105 339,195 121,752 <u>1,000</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>662,698</u>
Total Federal Awards Expenditures			<u>\$ 2,799,392</u>

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

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties (the Board's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Board to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE C - SUBRECIPIENTS

The Board passes certain federal awards received from Ohio Department of Mental Health to other governments or not-for-profit agencies (subrecipients). As Note A describes, the Board reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the Board has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The total passed through \$956,434.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio (the Board), as of and for the year ended December 31, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 19, 2012, wherein we noted the Board uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Board implemented GASB Statement 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the audit committee, the Members of the Board, federal awarding agencies, pass-through entities and others within the Board. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 19, 2012



Dave Yost • Auditor of State

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

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

To the Members of the Board:

Compliance

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

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

In our opinion, the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties, Seneca County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

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www.auditor.state.oh.us

Mental Health and Recovery Services Board
of Seneca, Sandusky and Wyandot Counties
Seneca County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Members of the Board, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 19, 2012

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
OF SENECA, SANDUSKY AND WYANDOT COUNTIES
SENECA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Block Grants for Prevention and Treatment of Substance Abuse (SAPT) – CFDA # 93.959 Medical Assistance Program (Medicaid) CFDA # 93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FEDERAL AWARDS

None

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Dave Yost • Auditor of State

MENTAL HEALTH AND RECOVERY SERVICE FOR SANDUSKY AND WYANDOT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 17, 2012**