



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 AUDITOR'S 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:

### ***Report on the Financial Statements***

We have audited the accompanying 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, 2012, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, 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, as of December 31, 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General and the ODMH Medicaid funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

### **Accounting Basis**

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

### **Other Matters**

#### *Supplemental and Other Information*

We audited to opine on the Board's financial statements that collectively comprise its basic financial statements. *Management's Discussion and Analysis* includes tables of net position, changes in net position and governmental activities. The Federal Awards Expenditures 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 analysis and are not a required part of the basic financial statements.

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. We subjected this information 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2013, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 15, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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, 2012, 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 2012 are as follows:

- Net position decreased \$356,310 or 9.34% from the prior year. Total governmental activities receipts of \$6,017,668 were not adequate to support disbursements totaling \$6,373,978.
- Program specific receipts in the form of charges for services and operating grants and contributions comprised the 62.89% of the Board's receipts. 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 37.11%.
- The Board's disbursements decreased \$818,149 or 11.38% from the prior year. The majority of the decrease occurred in the Medicaid fund due to reduction of local and state funding to support the federal Medicaid program and alcohol and drug addiction services.

**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 position 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 accounting principles generally accepted in the United States of America (GAAP). 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, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements.

**Reporting the Board as a Whole**

The statement of net position and the statement of activities reflect how the Board performed financially during 2012, within the limitations of the cash basis of accounting. The statement of net position - 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, these changes are one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position is an indicator of whether the Board's financial health is improving or deteriorating. When evaluating the Board's financial condition, considerations include 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 Position - Cash Basis and the Statement of Activities - Cash Basis present governmental activities, which include all the Board's services. 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 and the ODMH Medicaid fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

position and changes in fiduciary net position. 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 position for 2012 compared to 2011 on a cash basis:

**Table 1  
Net Position**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b><u>Assets:</u></b>		
Equity in pooled cash and cash equivalents	\$ 3,459,011	\$ 3,815,321
Total assets	\$ 3,459,011	\$ 3,815,321
<b><u>Net position:</u></b>		
Restricted	\$ 827,747	\$ 1,891,987
Unrestricted	2,631,264	1,923,334
Total net position	\$ 3,459,011	\$ 3,815,321

As mentioned previously, net position decreased \$356,310. This decrease resulted from lower receipts during 2012, despite a reduction in the Board's disbursements for mental health services.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net position in 2012 and provides a comparison to 2011:

**Table 2  
Changes in Net Position - Cash Basis**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 937	\$ 16,851
Operating grants and contributions	3,783,660	5,002,969
Total program cash receipts	<u>3,784,597</u>	<u>5,019,820</u>
General receipts:		
Property taxes	890,463	896,627
Grants and entitlements not restricted by specific program	1,341,036	871,760
Donations	820	654
Miscellaneous	752	68,779
Total general receipts	<u>2,233,071</u>	<u>1,837,820</u>
Total receipts	<u>6,017,668</u>	<u>6,857,640</u>
<b>Disbursements:</b>		
Mental health services:		
Medicaid	66,027	1,842,114
Net flex	627,588	1,362,544
Title XX	87,224	108,247
ODMH Medicaid	2,359,452	562,689
508 case management	80,361	844
508 children/adolescent	27,961	181,281
Mental health block grant	67,675	71,124
Forensic services	11,495	4,000
Alcohol and drug addition services:		
State per capita	238,762	458,838
Court referred driver	5,362	11,641
Treatment alternative street crime	132,462	171,702
Federal ADAMHS	439,872	489,996
Preventive state incentive	121,121	52,130
ODADAS Medicaid	318,469	129,618
Substance abuse mental health services:		
Administration	1,790,147	1,745,359
Total disbursements	<u>6,373,978</u>	<u>7,192,127</u>
Change in net position	(356,310)	(334,487)
Net position at beginning of year	<u>3,815,321</u>	<u>4,149,808</u>
Net position at end of year	<u>\$ 3,459,011</u>	<u>\$ 3,815,321</u>

In 2012, 37.11% 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. Charges for services and operating grant and contribution program receipts accounted for 62.89% of the Board's total receipts during 2012. These receipts consist primarily of charges for services reimbursement from the municipal court for indigent drivers and State and federal operating grants, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

During 2012, operating grant and contribution program receipts fell 24.37% due to the elimination of local funding to support Medicaid programs in the Net Flex fund, a nonmajor governmental fund, which amounted to \$831,647 in 2011, and a 65.08% decrease in State per capita funding to support alcohol and drug addiction services. A reduction in Medicaid and ODADAS Medicaid funding during 2012 was offset by increased Medicaid funding from the Ohio Department of Mental Health. Charges for services program receipts decreased \$15,914 or 94.44% from the prior year due to significantly lower indigent driver and juvenile court fees assessed on behalf of the Board during 2012.

During 2012, the Board recognized total governmental activities disbursements of \$6,373,978. The largest portion of these disbursements related to ODMH Medicaid programs, totaling \$2,359,452, or 37.02% of total disbursements. Administration disbursements accounted for 28.09% of the Board's total disbursements for 2012. These costs represent the costs to administer all programs not supported by special receipts and disbursements for services provided from the property taxes for mental health and alcohol and drug addiction services from Seneca and Wyandot Counties.

**Governmental Activities**

The most significant program disbursements among the Board's governmental activities are for ODMH Medicaid mental health services and administration, which account for 37.02%, and 28.09% of all governmental disbursements, respectively. The disbursements of the Board's governmental activities are supported directly through program-specific receipts, which consist primarily of funds designated by grantors for specific purposes. The net cost of the Board's services, or the amount by which disbursements relied on general receipts of the Board, was \$2,589,381 for 2012, or 40.62% of total governmental activities disbursements. A comparison between the total cost of services and the net cost for both 2012 and 2011 is presented in Table 3.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Table 3  
Governmental Activities**

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Program disbursements:				
Mental health services:				
Medicaid	\$ 66,027	\$ (17,830)	\$ 1,842,114	\$ (214,283)
Net flex	627,588	627,588	1,362,544	530,897
Title XX	87,224	1,565	108,247	538
ODMH Medicaid	2,359,452	51,575	562,689	(70,981)
508 case management	80,361	22,727	844	(23,744)
508 children/adolescent	27,961	2,474	181,281	61,883
Mental health block grant	67,675	4,507	71,124	11,144
Forensic services	11,495	5,293	4,000	(2,196)
Alcohol and drug addition services:				
State per capita	238,762	107,502	458,838	82,993
Court referred driver	5,362	4,419	11,641	(5,261)
Treatment alternative street crime	132,462	(28,004)	171,702	-
Federal ADAMHS	439,872	3,450	489,996	76,163
Preventive state incentive	121,121	9,543	52,130	(11,080)
ODADAS Medicaid	318,469	4,425	129,618	(9,125)
Substance abuse mental health services:				
Administration	1,790,147	1,790,147	1,745,359	1,745,359
Totals	<u>\$ 6,373,978</u>	<u>\$ 2,589,381</u>	<u>\$ 7,192,127</u>	<u>\$ 2,172,307</u>

**The Board's Funds**

Total governmental funds had receipts of \$6,017,668 and disbursements \$6,373,978. The fund balance of the general fund increased due to higher property tax receipts and unrestricted grants and entitlements received from State and federal sources, as well as a transfer of \$265,344 from the Medicaid fund (a nonmajor governmental fund). In total, the cash fund balance of the general fund increased \$707,930, from a cash balance of \$1,923,334 to \$2,631,264.

The ODMH Medicaid fund's receipts and disbursements increased \$1,674,007 and \$1,796,763, respectively, compared to 2011. In total, due to disbursements of \$2,359,452 exceeding receipts of \$2,307,877, the ODMH Medicaid fund's cash fund balance decreased \$51,575 from \$70,981 to a balance of \$19,406.

**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 2012, the Board amended its budget as needed.

The general fund's final budgeted receipts, excluding other financing sources, were \$130,943 more than the original budget. Actual receipts, excluding other financing sources, were \$782 higher than final budget estimates. Final budgeted disbursements were \$478,962 more than the original budgeted disbursements. Actual disbursements were \$677,205 less than final budgeted disbursements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**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. The Board relies on allocations and grants through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and is diligent in searching for new funding sources that are closely related to its mission in order to allow community programs to continue.

This Board has been quite concerned about the costs of continued Medicaid services provided in the State of Ohio. While it recognizes the value in consumers' ability 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 it has had no mechanism to plan accordingly, and for which it is obligated to dedicate limited resources. In future years, beginning in fiscal year 2014, the State of Ohio will assume responsibility for Medicaid programs, which will significantly reduce the financial burden of Medicaid services imposed on the Board.

**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  
SANDUSKY, SENECA AND WYANDOT COUNTIES  
SENECA COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2012**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 3,459,011
<b>Net position:</b>	
Restricted for:	
Mental health services	\$ 590,344
Alcohol and drug addiction services	237,403
Unrestricted	2,631,264
Total net position	\$ 3,459,011

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Program Cash Receipts</b>		<b>Net (Disbursements) Receipts and Changes in Net Position</b>
<b>Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>			
Mental health services:			
Medicaid	\$ 66,027	\$ 83,857	\$ 17,830
Net flex	627,588		(627,588)
Title XX	87,224	85,659	(1,565)
ODMH Medicaid	2,359,452	2,307,877	(51,575)
508 case management	80,361	57,634	(22,727)
508 children/adolescent	27,961	25,487	(2,474)
Mental health block grant	67,675	63,168	(4,507)
Forensic services	11,495	6,202	(5,293)
Alcohol and drug addition services:			
State per capita	238,762	131,260	(107,502)
Court referred driver	5,362	\$ 937	(4,419)
Treatment alternative street crime	132,462	160,466	28,004
Federal ADAMHS	439,872	436,422	(3,450)
Preventive State incentive	121,121	111,578	(9,543)
ODADAS Medicaid	318,469	314,044	(4,425)
Substance abuse mental health services:			
Administration	1,790,147		(1,790,147)
Total governmental activities	<u>\$ 6,373,978</u>	<u>\$ 937</u>	<u>\$ 3,783,660</u>
<b>General receipts:</b>			
Property taxes levied for:			
General purposes			890,463
Grants and entitlements not restricted to specific programs			1,341,036
Donations			820
Miscellaneous			752
			<u>2,233,071</u>
Total general receipts			<u>2,233,071</u>
Change in net position			(356,310)
Net position at beginning of year			<u>3,815,321</u>
Net position at end of year			<u>\$ 3,459,011</u>

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>ODMH Medicaid</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 2,631,264	\$ 19,406	\$ 808,341	\$ 3,459,011
	\$ 2,631,264	\$ 19,406	\$ 808,341	\$ 3,459,011
<b>Fund balances:</b>				
Restricted:				
Mental health services		\$ 19,406	\$ 570,938	\$ 590,344
Alcohol and drug addiction services			237,403	237,403
Assigned:				
Administration	\$ 351,981			351,981
Subsequent year appropriation	248,791			248,791
Unassigned	2,030,492			2,030,492
Total fund balances	\$ 2,631,264	\$ 19,406	\$ 808,341	\$ 3,459,011

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>ODMH Medicaid</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property and other local taxes	\$ 890,463			\$ 890,463
Intergovernmental	1,341,036	\$ 2,307,877	\$ 1,475,783	5,124,696
Donations	820			820
Charges for services			937	937
Miscellaneous	414		338	752
Total receipts	<u>2,232,733</u>	<u>2,307,877</u>	<u>1,477,058</u>	<u>6,017,668</u>
<b>Disbursements:</b>				
Current:				
Mental health services:				
Medicaid			66,027	66,027
Net flex			627,588	627,588
Title XX			87,224	87,224
ODMH Medicaid		2,359,452		2,359,452
508 case management			80,361	80,361
508 children/adolescent			27,961	27,961
Mental health block grant			67,675	67,675
Forensic services			11,495	11,495
Alcohol and drug addition services:				
State per capita			238,762	238,762
Court referred driver			5,362	5,362
Treatment alternative street crime			132,462	132,462
Federal ADAMHS			439,872	439,872
Preventive state incentive			121,121	121,121
ODADAS Medicaid			318,469	318,469
Substance abuse mental health services:				
Administration	1,790,147			1,790,147
Total disbursements	<u>1,790,147</u>	<u>2,359,452</u>	<u>2,224,379</u>	<u>6,373,978</u>
Excess of revenues over (under) expenditures	<u>442,586</u>	<u>(51,575)</u>	<u>(747,321)</u>	<u>(356,310)</u>
<b>Other financing sources (uses):</b>				
Advance in	265,344			265,344
Advance (out)			(265,344)	(265,344)
Total other financing sources (uses)	<u>265,344</u>		<u>(265,344)</u>	
Net change in fund balances	707,930	(51,575)	(1,012,665)	(356,310)
Fund balances at beginning of year	1,923,334	70,981	1,821,006	3,815,321
Fund balances at end of year	<u>\$ 2,631,264</u>	<u>\$ 19,406</u>	<u>\$ 808,341</u>	<u>\$ 3,459,011</u>

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and other local taxes	\$ 1,017,702	\$ 890,463	\$ 890,463	
Intergovernmental	1,075,806	1,340,749	1,341,036	\$ 287
Donations		325	820	495
Miscellaneous	7,500	414	414	
Total receipts	<u>2,101,008</u>	<u>2,231,951</u>	<u>2,232,733</u>	<u>782</u>
<b>Disbursements:</b>				
Current:				
Substance abuse mental health services:				
Administration	<u>2,340,371</u>	<u>2,819,333</u>	<u>2,142,128</u>	<u>677,205</u>
Excess of revenues over (under) disbursements	<u>(239,363)</u>	<u>(587,382)</u>	<u>90,605</u>	<u>677,987</u>
<b>Other financing sources:</b>				
Advance in		<u>287</u>	<u>265,344</u>	<u>265,057</u>
Net change in fund balance	(239,363)	(587,095)	355,949	943,044
Fund balance at beginning of year	1,545,643	1,545,643	1,545,643	
Prior year encumbrances appropriated	377,691	377,691	377,691	
Fund balance at end of year	<u>\$ 1,683,971</u>	<u>\$ 1,336,239</u>	<u>\$ 2,279,283</u>	<u>\$ 943,044</u>

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
ODMH MEDICAID FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$ 2,050,000	\$ 2,292,707	\$ 2,307,877	\$ 15,170
<b>Disbursements:</b>				
Current:				
Mental health services:				
ODMH medicaid	2,075,343	2,363,688	2,370,245	(6,557)
Net change in fund balance	(25,343)	(70,981)	(62,368)	8,613
Fund balance at beginning of year	45,638	45,638	45,638	
Prior year encumbrances appropriated	25,343	25,343	25,343	
Fund balance at end of year	<u>\$ 45,638</u>	<u>\$ 45,638</u>	<u>\$ 8,613</u>	<u>\$ 8,613</u>

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
DECEMBER 31, 2012**

	<u>Private Purpose Trust</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 20,375
<b>Net position:</b>	
Restricted for:	
Other purposes	\$ 20,375

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	<u>\$ 10</u>
Net position at beginning of year	<u>20,365</u>
Net position at end of year	<u><u>\$ 20,375</u></u>

*See accompanying notes to the basic 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, 2012**

**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: Seneca County 56,469 (40.37 percent), Sandusky County 60,734 (43.41 percent) and Wyandot County 22,692 (16.22 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 (3) 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 and organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. 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). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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, 2012  
(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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The 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 position 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:

**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, 2012  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*General Fund* - The general fund accounts for and reports 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.

*ODMH Medicaid Fund* – The ODMH Medicaid fund accounts for and reports financial resources received from the Ohio Department of Mental Health that are restricted for services rendered by provider agencies.

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

*Fiduciary Fund*

The Board's 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 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.

**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 incurred.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and 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.

**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, 2012  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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.

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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Net Position**

Net position is reported as restricted to the extent of limitations imposed on its use, either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes monies held in the private-purpose trust fund for mental health assistance.

**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, 2012  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Board's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is 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:

*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 Board had no nonspendable fund balance at December 31, 2012.

*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. The Board had no committed fund balance at December 31, 2012.

*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 or committed. In the general fund, assigned amounts include those approved through the Board's formal purchasing procedure and those required for subsequent year appropriations.

*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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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, 2012  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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 with a requirement for repayment are reported as interfund advances. Interfund advances 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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For 2012, the Board has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Board.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for state and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Board.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Board's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of 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, 2012  
(Continued)**

**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 and the ODMH Medicaid 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 that 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 \$351,981 for the general fund and \$10,793 for the ODMH Medicaid 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 proceeding 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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The full tax rate for all Board operations for the year ended December 31, 2012 was \$0.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real property		\$ 919,930,170
Public utility personal property		<u>51,454,730</u>
Total assessed valuation		<u>\$ 971,384,900</u>

**NOTE 6 - INTERFUND TRANSACTIONS**

Interfund advances for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

<u>Advance from:</u>	<u>Advance to:</u>	
Nonmajor governmental funds	General fund	<u>\$ 265,344</u>

**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, 2012  
(Continued)**

**NOTE 6 - INTERFUND TRANSACTIONS - (Continued)**

During 2012, the Board advanced \$265,344 from the Medicaid fund (a nonmajor governmental fund) to the general fund. This was made in order to return funds provided by the general fund during a prior fiscal year.

Interfund advances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 7 - 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years, and the Board has not had a significant reduction in coverage from the prior year.

**NOTE 8 - 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.

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 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 2012, member and contribution rates were consistent across all three plans.



**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, 2012  
(Continued)**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - (Continued)**

The 2012 member contribution rates were 10.00% for members in State and local classifications. The Board's contribution rate for 2012 was 14.00%.

The Board's contribution rate for pension benefits for 2012 was 10.00%. The Board's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011 and 2010 were \$31,266, \$31,916, and \$23,562, respectively. 100% has been contributed for 2012, 2011 and 2010.

**NOTE 9 - 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 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 2012, 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 2012 was 4.00%.

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, 2012, 2011 and 2010 were \$12,507, \$12,767, and \$13,433, respectively; 100% has been contributed for 2012, 2011 and 2010.

**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, 2012  
(Continued)**

**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

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 10 - 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 11 - 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	\$ 351,981
Major Special Revenue Fund:	
ODMH Medicaid	10,793
Other Governmental Funds	<u>121,752</u>
Total	<u>\$ 484,526</u>

**MENTAL HEALTH AND RECOVERY SERVICES BOARD  
 OF SENECA, SANDUSKY AND WYANDOT COUNTIES  
 SENECA COUNTY  
 FEDERAL AWARDS EXPENDITURES SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<b><i>Passed Through Ohio Department of Mental Health:</i></b>			
Social Services Block Grant	FY 12	93.667	\$ 53,264
	FY 13		33,960
Total Social Services Block Grant			<u>87,224</u>
Block Grants for Community Mental Health Services	CA FY 12	93.958	15,327
	CA FY 13		12,634
	CPBG 12		35,981
	CPBG 13		31,694
	FOR - 11/12/13		4,025
Total Block Grants for Community Mental Health Services			<u>99,661</u>
Medical Assistance Program	MH-FY11	93.778	48,032
<b><i>Passed Through Ohio Department of Alcohol and Drug and Addiction Services:</i></b>			
	AOD-FY11		5,419
Total Medical Assistance Program			<u>53,451</u>
ARRA - Medical Assistance Program	AOD-FY 11	93.778	18
Total All Medical Assistance Programs			<u>53,469</u>
<b><i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i></b>			
Substance Abuse and Mental Health Servicedes Projects of Regional and National Significance	SPF-SIG - FY11	93.243	298
	SPF-SIG - FY12		92,246
	SPF-SIG - FY13		28,576
Total Substance Abuse and Mental Health Projects of Regional and National Significance			<u>121,120</u>
State Children's Insurance Program	MH-CHIP FY 11	93.767	12,557
Block Grants for Prevention and Treatment of Substance Abuse	TASC-12	93.959	132,462
	DFCC-12		23,773
	DFCC-13		7,714
	SAPT-12		289,079
	SAPT-13		119,306
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>572,334</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 946,365</u></b>

*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, 2012**

**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 to subrecipients was \$946,365.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2012, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 15, 2013, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 15, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Mental Health and Recovery Services Board of Seneca, Sandusky, and Wyandot Counties, Seneca County, Ohio (the Board), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties' major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Board's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion on Block Grants for Prevention and Treatment of Substance Abuse Major Federal Program***

As described in finding 2012-001 in the accompanying schedule of findings, the Board did not comply with requirements regarding cash management applicable to its Block Grants for Prevention and Treatment of Substance Abuse major federal program. Compliance with this requirement is necessary, in our opinion, for the Board to comply with requirements applicable to this program.

***Qualified Opinion on Block Grants for Prevention and Treatment of Substance Abuse Major Federal Program***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Block Grants for Prevention and Treatment of Substance Abuse Major Federal Program*, the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties complied, in all material respects, with the requirements referred to above that could directly and materially affect its Block Grants for Prevention and Treatment of Substance Abuse Major Federal Program for the year ended December 31, 2012.

**Other Matters**

The Board's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2012-001.



Mental Health and Recovery Services Board  
Seneca County  
Independent Auditor's 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

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

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

Columbus, Ohio

August 15, 2013

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control 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?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Block Grants for Prevention and Treatment of Substance Abuse (SAPT) – CFDA # 93.959
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2012-001
<b>CFDA Title and Number</b>	Block Grants for Prevention and Treatment of Substance Abuse CFDA #93.959
<b>Federal Award Number / Year</b>	SAPT-12
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Alcohol and Drug Addictions Services

**Cash Management – Noncompliance Citation/Significant Deficiency**

**31 CFR part 205.33 (Subpart B)**, A-102 Common Rule and the ODADAS guidelines state a Board is required to draw down funds on a reimbursement basis and no more than 30 days in advance of projected expenditures. The Board submits the funding request based on the notification from ODADAS availability of funds rather than based on projected expenses not to exceed 30 days. As a result, three of the five funding requests were not spent within 30 days. The Board held funds as follows during the audit period:

Grant Year	Receipt Amount	Receipt Date	Date Fully Spent	Number of Days
2012	\$ 186,391	2/28/2012	5/10/2012	72
2012	95,030	5/21/2012	7/12/2012	52
2012	59,574	6/20/2012	11/8/2012	141
2013	39,475	8/27/2012	9/26/2012	30
2013	55,952	10/31/2012	11/8/2012	8

We recommend the Board implement policies and procedures to limit funding requests to no more than 30 days of projected expenditures.

**Officials' Response:**

Client is aware of the issue and changes on the guidance starting FY 2014 will eliminate this portion of the cash management compliance.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	Management will comply with cash management requirements.	FY2013	Nancy Cochran

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# Dave Yost • Auditor of State

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

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 3, 2013**