



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2019**



**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD  
DELAWARE COUNTY  
DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

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

We have audited the accompanying financial statement of the cash balance, receipts and disbursements, and related notes of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio (the Board) as of and for the year ended December 31, 2019.

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

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

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

Our responsibility is to opine on this financial statement 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 statement is 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 statement 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 such 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 opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statement, the Board prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Board does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Delaware-Morrow Mental Health and Recovery Services Board as of December 31, 2019, and the respective change in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash balance, receipts and disbursements, and related notes of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, as of December 31, 2019, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2019 the Board elected to change its financial presentation from the cash accounting special purpose frame work to the regulatory basis of accounting the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We did not modify our opinion regarding this matter.

As discussed in Note 12 to the financial statement, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Board. We did not modify our opinion regarding this matter.

***Other Matters***

Our audit was conducted to opine on the financial statement taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statement. We subjected this schedule to the auditing procedures we applied to the financial statement. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statement taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2020, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

July 7, 2020

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

**Statement of Receipts, Disbursements  
and Changes in Fund Balance (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2019**

**Cash Receipts:**

Property and Other Local Taxes	\$7,050,503
Intergovernmental	\$3,262,019
Miscellaneous	\$234,717
	<hr/>
<i>Total Cash Receipts</i>	<i>\$10,547,239</i>

**Cash Disbursements:**

Salaries	\$433,161
Benefits	\$164,071
Purchased Services	\$12,677,154
Membership, Subscriptions, Dues	\$15,658
Supplies and Materials	\$16,518
Advertising and Printing	\$26,768
Travel and Training	\$16,234
Professional Fees	\$401,504
Repairs and Maintenance	\$27,603
Rental and Utilities	\$53,515
	<hr/>
<i>Total Cash Disbursements</i>	<i>\$13,832,186</i>

*Net Change in Fund Balance* *(\$3,284,947)*

*Fund Balance Beginning of Year* *\$12,556,898*

**Fund Balance End of Year:**

Restricted	\$525,019
Assigned	\$7,973,637
Unassigned	\$773,295
	<hr/>
<i>Fund Balance End of Year</i>	<i>\$9,271,951</i>

*See accompanying notes to the financial statements*

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Note 1 – Reporting Entity**

The Delaware-Morrow Mental Health and Recovery Services Board, Delaware, Ohio (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is made up of fourteen members and provides alcohol, drug addiction, and mental health services and programs to citizens of Delaware and Morrow counties. These services are provided primarily through contracts with private and public agencies.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Board's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

***Fund Accounting***

The Board uses a fund 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. The Board presents the following fund:

***Mental Health and Recovery Services Fund***- This fund is used to account for all financial resources and used for alcohol, drug addiction, mental health services and program, and general purposes for citizens in Delaware and Morrow counties.

**Basis of Accounting**

This financial statement follows the accounting basis the Ohio Auditor of State prescribes or permits by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03. This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). The Board elected to change its financial presentation from the cash accounting special purpose frame work to the Regulatory basis the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-203(D) permit.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

***Budgetary Process***

The Ohio Revised Code requires the Board to adopt a budget for each fund annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments.

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

***Encumbrances*** The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

***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.

***Cash and Cash Equivalents***

As required by Ohio Revised Code, the Delaware County Treasurer is custodian for the Board's cash. The Board's cash is held in Delaware County's cash and investment pool, and is valued at the County Treasurer's carrying amount. Deposits and investments disclosures for Delaware County may be obtained from the Delaware County Treasurer's office.

For the purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. The Board values investments and cash equivalents at cost.

***Employer Contributions to Cost-Sharing Pension Plans***

The Board recognizes the cash disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Fund Balance**

In 2016, the Board adopted a policy that requires the Board to maintain a minimum operating reserve. The Board determined an appropriate operating reserve was \$500,000. Due to the nature of the policy, the operating reserve has been included in the unassigned 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:

*Non-spendable* - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. This classification of fund balance did not apply to the Board at December 31, 2019.

*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 of Directors (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the Board of Directors remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. This classification of fund balance did not apply to the Board at December 31, 2019.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

In the general fund, assigned amounts represent intended uses established by policies of the Board of Directors, which includes giving management the authority to constrain monies for intended purposes.

*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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	10,119,672	10,547,239	427,567

2019 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	17,381,639	13,832,186	3,549,453

**Note 4 – Deposits and Investments**

The Delaware County Treasurer serves as the fiscal agent for the Board and is responsible for investing funds in active, inactive and interim deposits.

The Ohio Revised Code restricts deposits and investments to the following:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 4 – Deposits and Investments (continued)**

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; in eligible institutions pursuant to ORC sections 135.32;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

During 2019, the County invested in STAR Ohio as an investment pool, managed by the State Treasurer's Office, which allows governments to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standard's Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The county measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. The county's other investments included negotiable certificates of deposit, federal agency securities, locally-issued government debt, mutual funds and treasury bonds. All these investments are reported at fair value, which is based on quoted market price or current share value.

In addition, authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if Ohio Revised Code training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Board, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Delaware County Treasurer serves as the fiscal agent for the Board and the investments of Delaware County funds, including the Board's cash. The Board maintains no control over the investment of its cash. At December 31, 2019, the carrying amount of the Board's deposits was \$9,271,951.

The Board relies on the Delaware County Treasurer to monitor interest rate, credit and concentration of credit risk associated with the Board's deposits.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 5 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Delaware and Morrow Counties. Real property tax receipts received in 2019 represent the collection of 2018 taxes. Real property taxes received in 2019 were levied after October 1, 2018, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established which Delaware County has chosen to do.

2019 real property taxes are levied after October 1, 2018, on assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2018 real property taxes are collected in and intended to finance 2019.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate (with the exception of public utility tangible personal property) for all Board operations for the year ended December 31, 2019, was \$1.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2019 tax receipts were based are as follows:

<b>Real Property</b>	
Residential	\$7,388,259,160
Agriculture	332,280,470
Commercial/Industrial/ Mineral	951,368,360
<b>Public Utility Property</b>	
Real	1,379,550
Personal	<u>461,490,210</u>
<b>Total Assessed Value</b>	<b><u>\$9,134,777,750</u></b>

The Counties are responsible for assessing property, billing, collecting, and distributing all property taxes on behalf of the board.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 6 – Risk Management**

The Board participates in a risk-sharing pool, the County Risk Sharing Authority (CORSA), for property, casualty, and public officials' insurance coverage. The Board retains the risk for property, casualty, and public officials' insurance coverage up to \$100,000 per occurrence. Following these deductibles, the pool retains the risk per occurrence up to \$1,000,000. An excess policy insures claims exceeding this self-insured retention up to \$10,000,000. The Board would retain any losses above the excess policy level. Settlement amounts have not exceeded insurance coverage for the last three years. There has not been a significant reduction in coverage from the prior year.

Delaware County provides worker's compensation insurance for the Council through a self-insurance plan offered by the State of Ohio. The plan allows the County to administer its own worker's compensation claims, including the approval of claims and payment of compensation and medical payments for injured employees. The plan requires that the County participate in the Self-Insured Employers Guaranty Fund through the State of Ohio that guarantees that claims liabilities are satisfied if the self-insured employer is unable to pay claims.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Board's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Board contributed an amount equaling 14 percent of participants' gross salaries. The Board has paid all contributions required through December 31, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2019</i>	<i>10%</i>	<i>14%</i>

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 9 – Recovery of Advances**

To alleviate cash flow issues at provider agencies, The Board may make advances to a provider agency for services to be rendered. Provider agency contracts allow providers to request up to two twelfths of the agency contract amount. One fifth of the advance amount will be collected in February through June (last five months of contract). The following advances were approved by the executive committee and paid to the contracted agency.

Balances as of December 31, 2019

Helpline of Delaware & Morrow Counties, Inc	\$152,667
Jacob Edward Walls Foundation	\$16,806
Recovery & Prevention Resources of Delaware & Morrow Counties	\$79,162
Syntero, Inc	\$391,055

In addition to these advances, The Board provided The Group of Delaware's predecessor, No Limits of Morrow County, an advance of \$15,000, without interest, which sum remains unpaid. The Group of Delaware agrees in their contract that in consideration of The Board's entering into this contract and because of the comingling of assets by merging entities (wherein The Group of Delaware is operating successor organization), The Group of Delaware assumes responsibility for the obligation of No Limits of Morrow County to The Board only when; a) there is no longer a contract in effect between The Board and The Group of Delaware for services of the kind generally required under its current contract or, b) The Group of Delaware defaults under its contract, discontinues business, is sold, merged into another entity, files bankruptcy or otherwise terminates its corporate existence. The Group of Delaware shall pay The Board within (30) days of the occurrence of any of the aforementioned events. None of these events have occurred as of December 31, 2019.

**Grants**

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims would not have a material adverse effect on the overall financial position of the Board at December 31, 2019.

**Litigation**

The Board is currently not involved in any pending litigation.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 10 – Contingent Liabilities**

**Mortgage Note Amortization**

The Board received Capital funds for Ohio Mental Health and Addiction Services (OhioMHAS) used for capital expenses. In order to assure that the funds are only used for original purposes, OhioMHAS has required The Board to enter into long-term Mortgage Note amortization agreements. The current balances of the Note Agreements at December 31, 2019 are as follows:

<u>Governmental Activities</u>	<u>Note Amort- ization (Years)</u>	<u>Interest Rate</u>	<u>Note Balance at 12/31/18</u>	<u>2019 Note Additions</u>	<u>2019 Note Reductions</u>	<u>Note Balance at 12/31/19</u>
912 East Vine St, Edison	40	0%	\$127,515	\$ -	\$(5,308)	\$122,206
950 Meadow Center Dr.	40	0%	\$204,139	-	\$(17,483)	\$186,657
<b>Total</b>			<b>\$331,654</b>	<b>\$ -</b>	<b>\$(22,791)</b>	<b>\$308,863</b>

**Notes**

The properties purchased with OhioMHAS capital funds are intended to provide and support grant program services; therefore, for each year the site and property is used in this manner, the fixed payment is forgiven (amortized) based upon an amortization schedule provided by OhioMHAS. If The Board ceased to use the property for specified services, the remaining unamortized balance would be due and The Board would be liable for the payment. The Board does not anticipate any change in the use of the properties.

**Note 11 – Fund Balance**

Fund balances are classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in their fund. The constraints placed on the fund balance is presented below for 2019:

<u>Fund Balance</u>	<u>Mental Health and Recovery Services Fund</u>
Restricted for Grant Programs	\$ 525,019
<b>Assigned for:</b>	
Encumbrances	630,495
Subsequent Appropriations	7,343,142
Unassigned	<u>773,295</u>
<b>Total Fund Balance</b>	<b>\$ <u>9,271,951</u></b>

**Note 12 – Subsequent Events**

The United States and State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Delaware Morrow MHR SB. The Board's employee benefit plans in which the Board participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Board's future expenses, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Provided Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Health</i>				
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	1900651	\$113,624	\$117,172
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	2000447	<u>6,674</u>	<u>6,674</u>
Total Substance Abuse and Mental Health Services, Projects of Regional and National Significance			113,624	123,846
Social Services Block Grant	93.667	3A70 336612-4221C	129,236	129,236
Block Grant for Community Mental Health Services	93.958	3A90 336614-4221C	192,262	212,262
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3G40 336618-4221C	310,362	310,362
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3G40 336618-4253C	200,893	200,893
Women's Treatment and Recovery	93.959	1900292	<u>2,679</u>	<u>2,679</u>
Total Block Grant for Prevention and Treatment of Substance Abuse			513,934	513,934
Total U.S. Department of Health and Human Services			<u><b>949,056</b></u>	<u><b>979,278</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$949,056</b></u>	<u><b>\$979,278</b></u>

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

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Delaware-Morrow Mental Health and Recovery Services Board (the Board) under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - SUBRECIPIENTS**

The Board passes certain federal awards received from the Ohio Department of Mental Health and Addiction Services to other governments or not-for-profit agencies (subrecipients). As Note B 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.



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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balance, receipts, and disbursements of the Delaware-Morrow Mental Health and Recovery Services Board, (the Board) as of and for the year ended December 31, 2019, and the related notes to the financial statement and have issued our report thereon dated July 7, 2020, wherein we noted the Board elected to change its financial presentation from the cash accounting special purpose frame work to the regulatory basis of accounting the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Board.

***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 opinion 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 statement is 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

July 7, 2020





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Directors:

***Report on Compliance for the Major Federal Program***

We have audited Delaware-Morrow Mental Health and Recovery Services Board's (the Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Delaware-Morrow Mental Health and Recovery Services Board's major federal program for the year ended December 31, 2019. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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.

***Opinion on the Major Federal Program***

In our opinion, Delaware-Morrow Mental Health and Recovery Services Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2019.

***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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

July 7, 2020

**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD  
DELAWARE COUNTY  
SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2019**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for the major federal program?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for the major federal program?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Block Grants for Prevention and Treatment of Substance Abuse, CFDA# 93.959
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# OHIO AUDITOR OF STATE KEITH FABER



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

**DELAWARE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/20/2020**

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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)