

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

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Delaware-Morrow Mental Health and Recovery Services Board is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 25, 2006

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

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INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and its major fund of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio (the Board) as of and for the year ended December 31, 2005, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above are presented fairly, in all material respects, the respective cash basis financial position of the governmental activities and its major fund of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison thereof for the year then ended in conformity with the accounting basis Note 2 describes.

Wilson, Shannon & Snow, Inc.

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

For the year ended December 31, 2005, the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In addition, as discussed in Note 4, the Board adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2006 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Federal Awards Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the Board's basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



July 20, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

The management's discussion and analysis of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2005, within the limitation of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of the Board's governmental activities increased \$1,779,609 from 2004, or 26%.
- General cash receipts accounted for \$8,325,535 or 71% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,468,285 or 29% of total governmental activities cash receipts. Total governmental activities cash receipts for 2005 were \$11,793,820.
- The Board had \$10,014,211 in cash disbursements related to governmental activities; \$3,468,285 of these cash disbursements was offset by program specific operating grants or contributions. The remaining cash disbursements of the governmental activities of \$6,545,926 were offset by general cash receipts (primarily property taxes and unrestricted grants and entitlements) of \$8,325,535.
- The Board's major governmental fund is the Mental Health and Recovery Services fund. This fund had cash receipts of \$11,793,820 and cash disbursements of \$10,014,211. The net increase in fund balance was \$1,779,609 or 26%.

Using the Basic Financial Statements (BFS)

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

The Statement of Net Assets – Cash Basis and Statement of Activities- Cash Basis provide information about the activities of the Board as a whole, presenting both an aggregate view of the Board's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds.

Since the Board uses the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded on these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Reporting the Board as a Whole

Statement of Net Assets and the Statement of Activities

A general question typically asked about the Board's finances is "How did we do financially during 2005?" The Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis answers this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's cash receipts and cash disbursements if the cash is actually received or paid.

These two statements report the Board's net assets and changes in those assets on a cash basis. This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Board's property tax base, current property tax laws in Ohio restricting revenue growth, changes in Medicaid funding, changes in required community programs and other factors.

In the Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis, the Board is consisted of the following types of activities:

Governmental activities – The Board's programs and services are reported here including general, mental health, and substance abuse programs. These services are funded primarily by property taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the Board's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses a fund to account for financial transactions and has segregated these funds into a major fund. Information for its major fund is presented separately in the governmental fund financial statements. The Board's major governmental fund is the Mental Health and Recovery Services fund.

Governmental Funds

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. For the Board, these funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Since the Board is reporting on the cash basis of accounting, there are no differences between net assets and fund balances or changes in net assets and changes in fund balances. Therefore, no such reconciliation is necessary between such financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

The Board's budgetary process accounts for certain transactions on the cash basis. The budgetary statement for the Mental Health and Recovery Services fund is presented to demonstrate the Board's compliance with annually adopted budgets. Differences arising between the changes in fund balance presented on the fund financial statements and fund balance on the budgetary statement are attributed to outstanding encumbrances at year end.

The Board as a Whole

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Board as a whole.

The table below provides a summary of the Board's net assets for 2005. Since this is the first year the Board has elected to present its cash basis financial statements in a format similar to the requirements of GASB Statement No. 34, comparative statements to 2004 have not been presented. However, a comparison will be presented for future years:

	Net Assets
	Governmental Activities 2005
	<hr/>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,594,870
	<hr/>
Total assets	\$ 8,594,870
	<hr/>
<u>Net Assets</u>	
Unrestricted	\$ 8,594,870
	<hr/>
Total net assets	\$ 8,594,870
	<hr/>

Net assets of the Board's governmental activities increased \$1,779,609 from 2004, or 26%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

The table below provides a summary of changes in the Board's net assets for 2005. Since this is the first year the Board has elected to present its cash basis financial statements in a format similar to the requirements of GASB Statement No. 34, comparative statements to 2004 have not been presented. However, a comparison will be presented for future years:

	Change in Net Assets
	Governmental Activities 2005
	<hr/>
Cash receipts	
Program cash receipts:	
Operating grants and contributions	\$ 3,468,285
	<hr/>
Total program cash receipts	3,468,285
	<hr/>
General cash receipts:	
Property taxes	4,267,116
Unrestricted grants and entitlements	3,917,752
Miscellaneous	140,667
	<hr/>
Total general cash receipts	8,325,535
	<hr/>
Total cash receipts	11,793,820
	<hr/>
Cash disbursements:	
Salaries	400,930
Benefits	132,616
Operating	197,110
Contract services	9,283,555
	<hr/>
Total cash disbursements	10,014,211
	<hr/>
Change in net assets	1,779,609
Net assets at beginning of year	6,815,261
	<hr/>
Net assets at end of year	\$ 8,594,870
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**DELAWARE-MORROW MENTAL HEALTH AND RECOVERY SERVICES BOARD
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Contract Services, which consists of payments to provider agencies, accounted for \$9,283,555 of the total cash disbursements of the Board. These services were offset by \$3,468,285 in operating and grants and contributions. General cash receipts totaled \$8,325,535 and amounted to 71% of total cash receipts. General cash receipts primarily consist of property taxes, unrestricted grant entitlements, and miscellaneous receipts.

The Statement of Activities-Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen below, the Board is highly dependent upon property taxes as well as unrestricted grants and entitlements to support its governmental activities. In future years, when prior year information has been provided, a comparative analysis of governmental data will be presented.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements

	Total Cost of Services 2005	Net Cost of Services 2005
Program Cash Disbursements:		
Salaries	\$ 400,930	\$ 400,930
Benefits	132,616	132,616
Operating	197,110	197,110
Contract service	9,283,555	5,815,270
Total	\$ 10,014,211	\$ 6,545,926

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Financial Analysis of the Government's Funds

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Board's governmental fund is accounted for using the cash basis of accounting.

The Board's governmental fund reported a fund cash balance of \$8,594,870, which is \$1,779,609 higher than last year's combined total of \$6,815,261. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2005 and December 31, 2004, for its major governmental fund.

	<u>Fund Balance 12/31/05</u>	<u>Fund Balance 12/31/04</u>	<u>Increase</u>
Mental Health and Recovery Services fund	<u>\$ 8,594,870</u>	<u>\$ 6,815,261</u>	<u>\$ 1,779,609</u>

Budgeting Highlights

The Board's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Board's appropriations which are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the Board's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

The actual cash receipts came in \$61,630 lower than they were in the final budget and actual cash disbursements were \$2,455,143 less than the amount in the final budget. Budgeted cash receipts and disbursements did not change from the original to the final budget.

Capital Assets and Debt Administration

Capital Assets

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Debt Administration

The Board did not have any outstanding debt at December 31, 2005.

Economic Conditions and Outlook

The receipts of the Board have been level funded from the state and federal departments, but it is being faced with potential reductions for next fiscal year. The Board passed a replacement levy in 2002 that generated additional funding. The Board was able to add additional and expanded programming within the life of this levy. We also expanded our network of providers from six to twelve that deliver mental health and substance abuse services to the residents of Delaware and Morrow counties. The Board and its administration must maintain careful financial planning and prudent fiscal management in order to balance the budget annually. The Board will be challenged to maintain the current level of services and programs due to increased demands and potential reduction of state and federal funds. This Board also must maintain enough reserve to secure the safety net for it's constitutes of Delaware and Morrow counties. The Board also faces the challenge of the increased need for Medicaid match for our providers' in-county and also out-of-county. Eventually, this need could jeopardize the Board's ability to provide services at the needed level for non-Medicaid clients and to meet any new growth of programs in the two county area.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, and community with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Ms. Shirley Robinson, Finance Director of the Delaware-Morrow Mental Health and Recovery Services Board, 40 North Sandusky Street, Suite 301, Delaware, Ohio 43015.

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

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 8,594,870
<i>Total Assets</i>	<u>\$ 8,594,870</u>
Net Assets	
Unrestricted	\$ 8,594,870
<i>Total Net Assets</i>	<u>\$ 8,594,870</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> Operating Grants and Contributions	<u>Net (Cash Disbursements)</u> <u>Cash Receipts and</u> <u>Changes in Net Assets</u> Governmental Activities
Governmental Activities			
Salaries	\$ 400,930	\$ -	\$ (400,930)
Benefits	132,616	-	(132,616)
Operating	197,110	-	(197,110)
Contract Services	9,283,555	3,468,285	(5,815,270)
	<u>10,014,211</u>	<u>3,468,285</u>	<u>(6,545,926)</u>
<i>Total Governmental Activities</i>	<u>\$ 10,014,211</u>	<u>\$ 3,468,285</u>	<u>(6,545,926)</u>

General Cash Receipts:

Property Taxes Levied for:

General Purposes	4,267,116
Grants and Entitlements - Unrestricted	3,917,752
Miscellaneous	140,667
	<u>8,325,535</u>

Total General Receipts 8,325,535

Change in Net Assets 1,779,609

Net Assets Beginning of Year 6,815,261

Net Assets End of Year \$ 8,594,870

See accompanying notes to the basic financial statements

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

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUND
DECEMBER 31, 2005

	<u>Mental Health and Recovery Services Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 8,594,870
<i>Total Assets</i>	<u>\$ 8,594,870</u>
Fund Balance	
Reserved for Encumbrances	\$ 1,656,103
Unreserved, Undesignated	6,938,767
<i>Total Fund Balance</i>	<u>\$ 8,594,870</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Mental Health and Recovery Services Fund
Cash Receipts:	
Property and Other Local Taxes	\$4,267,116
Intergovernmental	7,386,037
Miscellaneous	140,667
	11,793,820
 Cash Disbursements:	
Current:	
Salaries	400,930
Benefits	132,616
Operating	197,110
Contract Services	9,283,555
	10,014,211
 <i>Total Cash Disbursements</i>	 10,014,211
 <i>Net Change in Fund Balance</i>	 1,779,609
 <i>Fund Balance Beginning of Year</i>	 6,815,261
 <i>Fund Balance End of Year</i>	 \$8,594,870

See accompanying notes to the basic financial statements

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
MENTAL HEALTH AND RECOVERY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary Basis Receipts:				
Property and Other Local Taxes	\$ 4,272,410	\$ 4,272,410	\$ 4,267,116	\$ (5,294)
Intergovernmental	7,315,324	7,315,324	7,386,037	70,713
Miscellaneous	267,716	267,716	140,667	(127,049)
<i>Total Budgetary Basis Receipts</i>	<u>11,855,450</u>	<u>11,855,450</u>	<u>11,793,820</u>	<u>(61,630)</u>
Budgetary Basis Disbursements:				
Current:				
Salaries	424,835	424,835	400,930	23,905
Benefits	133,329	133,329	133,112	217
Operating	1,113,408	1,113,408	201,697	911,711
Contract Services	12,453,885	12,453,885	10,934,575	1,519,310
<i>Total Budgetary Basis Disbursements</i>	<u>14,125,457</u>	<u>14,125,457</u>	<u>11,670,314</u>	<u>2,455,143</u>
<i>Net Change in Fund Balance</i>	(2,270,007)	(2,270,007)	123,506	2,393,513
<i>Fund Balance at Beginning of Year</i>	6,399,625	6,399,625	6,399,625	-
Prior Year Encumbrances Appropriated	<u>415,636</u>	<u>415,636</u>	<u>415,636</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 4,545,254</u>	<u>\$ 4,545,254</u>	<u>\$ 6,938,767</u>	<u>\$ 2,393,513</u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note 1 – Reporting Entity

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

A. Primary Government

A reporting entity is comprised of the primary government, component units and other organizations included in ensuring that the basic financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Board.

B. Component Units

Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable for an organization if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organization's resources; the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Board is obligated for the debt of the organization. The Board is also financially accountable for any organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Board, are accessible to the Board and are significant in amount to the Board. The Board does not have any component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the Board's accounting policies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting

The Board's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Board are described in the appropriate section in this note.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

B. Basis of Presentation

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

Government-Wide Financial Statements – Cash Basis

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The Board's statements are presented as governmental activities, and are generally financed through taxes, intergovernmental receipts, or other nonexchange transactions.

The statement of net assets presents the financial position of the governmental of the Board at year end. The statement of activities compares cash disbursements with program cash receipts for each of the Board's governmental activities. Cash disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program cash receipts, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Board's general cash receipts.

Fund Financial Statements

During the year, the Board segregates transactions related to certain Board functions or activities in a separate fund to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental fund financial statements is on its major fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The Board's major fund is presented in a separate column. Any nonmajor funds would be aggregated and presented in a single column. The Board had a major fund for the year ended 2005 which is described below.

C. Fund Accounting

The Board uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Board are categorized as governmental fund.

Governmental Fund

The Board classifies funds financed primarily from taxes, intergovernmental cash receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Board's major governmental fund is the Mental Health and Recovery Services fund.

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board may appropriate.

The appropriations ordinance is the Board's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established at the function level.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

As required by Ohio Revised Code, the Delaware County Treasurer is custodian for the Board's cash. The Board's cash is held in Delaware County's cash and investment pool, and is valued at the County Treasurer's carrying amount.

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

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Board did not report any restricted assets at December 31, 2005.

G. Inventory and Prepaid Items

The Board reports cash disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as cash disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Board's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the cash disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Long-Term Obligations

The Board's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay disbursement is reported at inception. Lease payments are reported when paid. The Board did not have any long-term obligations outstanding at December 31, 2005.

L. Net Assets

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

M. Fund Balance Reserves/Fund Designations

The Board reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. No monies were designated by the Board during 2005. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Board had no extraordinary or special items during 2005.

Note 3 – Change in Basis of Accounting

Last year the Board reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Board has revised its statements to present its financial statements in accordance with GASB Statement No. 34 on the cash basis of accounting as described in Note 2.

Note 4 – Change in Accounting Principle

In March of 2003 GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that included investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The implementation of this GASB had no impact on the financial position of the Board at December 31, 2005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,656,103.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 6 – Deposits and Investments (Continued)

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, 2005, the carrying amount of the Board's deposits was \$8,594,870.

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

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County is 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 8 – Risk Management

The Board is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. The Board has obtained commercial insurance for the following risks:

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

There have been no significant reductions in insurance coverage during the fiscal year 2005. Settled claims have not exceeded commercial excess coverage in any of the past three years.

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 percent 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 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 and 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, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The full amount of required retirement contributions has been contributed for 2005, 2004 and 2003.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12 "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers"*.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004 (the latest information available), include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

Note 11 – Contingent Liabilities

A. Grants

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Board at December 31, 2005.

In prior years, the Board determined that potential overpayments of both federal and local monies, caused by duplicate billings, made to the Central Ohio Mental Health Center (COMHC) have been identified, in the audit conducted by COMHC's independent auditors. COMHC is a sub-recipient of the Board providing mental health services. The Board would be liable for these overpayments to the extent of local monies provided and any monies unrecoverable by the COMHC. The Ohio Department of Mental Health has initiated an investigation to assess the potential overpayments and to what extent such overpayments occurred. On April 7, 2006, the Office of the Inspector General determined that COMHC was paid \$85,708 in duplicate Medicaid billing claims. This amount will be repaid to the Ohio Department of Mental Health within the next fiscal year.

B. Litigation

The Board is unaware of any outstanding lawsuits or other contingencies.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor / Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Safe and Drug-Free Schools and Communities State Grants	N/A	84.186	\$ 78,666
Total U.S. Department of Education			<u>78,666</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Promoting Safe and Stable Families	N/A	93.556	63,842
Social Services Block Grant	N/A	93.667	92,304
State Children's Health Insurance Program	N/A	93.767	311,753
Medical Assistance Program	N/A	93.778	1,981,246
Block Grants for Community Mental Health Services	N/A	93.958	<u>76,452</u>
<i>Total Passed Through Ohio Department of Health</i>			<u>2,525,597</u>
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
State Children's Health Insurance Program	N/A	93.767	94,209
Medical Assistance Program	N/A	93.778	249,927
Block Grant for Prevention and Treatment of Substance Abuse	N/A	93.959	<u>438,420</u>
<i>Total Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			<u>782,556</u>
Total U.S. Department of Health and Human Services			<u>3,308,153</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,386,819</u></u>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Board's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The Board passes through certain Federal assistance received from the Ohio Department of Alcohol & Drug Addiction Services and the Ohio Department of Mental Health to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Board records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under OMB Circular A-133, the Board is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D - REQUIRED FEDERAL SCHEDULE DISCLSOURE

OMB Circular A-133 requires that the total federal awards expended for each individual federal program and CFDA number be presented when such federal expenditures are passed through multiple agencies or other identifying information is not available. During 2005, the Board expended the following monies which were passed through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS):

Program	CFDA Number	Total Passed Through ODMH	Total Passed Through ODADAS	Total Federal Awards Expended
Medical Assistance Program	93.778	\$1,981,246	\$249,927	\$2,231,173
State Children's Health Insurance Program	93.767	311,753	94,209	405,962



Report on Internal Control over Financial reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio (the Board) as of and for the year ended December 31, 2005, and issued our report thereon dated July 20, 2006. For the year ended December 31, 2005, the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. In addition, as disclosed in Note 4, the Board adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Board’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board’s financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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Board of Trustees
Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements in Accordance with *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the Board of Trustees, management, Auditor of State, and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
July 20, 2006



Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Delaware-Morrow Mental Health and Recovery Services Board, Delaware County, Ohio (the Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance and Supplement* that are applicable to its major federal programs for the year ended December 31, 2005. The Board's major programs are identified in the summary of auditor's results section in the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Wilson, Shannon & Snow, Inc.

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Internal Control over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, Auditor of State, and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shannon E. Snow, Inc.

Newark, Ohio
July 20, 2006

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Medical Assistance Program - CFDA #93.778; State Children's Insurance Program - CFDA #93.767
<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?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



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Betty Montgomery**

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

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 5, 2006**