



**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis – Governmental Funds	11
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds	12
Statement of Receipts, Disbursements and Change in Fund Balance Budget and Actual – Budget Basis - General Fund	14
Statement of Receipts, Disbursements and Change in Fund Balance Budget and Actual – Budget Basis – Mental Health Systems State Fund	15
Statement of Receipts, Disbursements and Change in Fund Balance Budget and Actual – Budget Basis – Community Mental Health Services State Fund	16
Statement of Receipts, Disbursements and Change in Fund Balance Budget and Actual – Budget Basis – Medicaid Mental Health Fund	17
Statement of Fiduciary Net Assets – Cash Basis	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Expenditures.....	29
Notes to the Schedule of Federal Awards Expenditures	30
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance In Accordance with OMB Circular A-133.....	33
Schedule of Findings.....	35
Schedule of Prior Audit Findings.....	38

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties
Allen County
1541 Allentown Road, Suite B
Lima, Ohio 45805

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, (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 an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General fund, Community Mental Health Services State Fund, Mental Health Systems State Fund, and Medicaid Mental Health Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the 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 is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 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.



Betty Montgomery
Auditor of State

October 4, 2006

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

As management of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties (the Board), we are providing this overview of the Board's financial activities for the year ended December 31, 2005. Please read this overview in conjunction with the Board's basic financial statements, which follow.

The Board is included within the Allen County Annual Financial Report as an agency fund. The Board uses its general fund to report its financial position and results of operations. We believe these financial statements present all activities for which the Board is financially responsible.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2005 are as follows:

- Net assets increased \$271,376. This was due in part to grant expenditures being slightly less than the prior year in the other governmental funds.
- General receipts accounted for \$1,246,949 in receipts or 13 percent of all receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$8,092,746 or 87 percent of total receipts of \$9,339,695.
- The Board had \$9,068,319 in disbursements related to governmental activities; \$8,092,746 of these disbursements were offset by program specific grants and contributions. General receipts of \$1,246,949 were adequate to provide for these programs.
- As of the close of 2005, The Board's governmental funds reported combined ending fund balances of \$4,304,990
- At the close of the 2005, unreserved fund balance was \$3,059,739.
- As of the close of 2005, the Board had cumulated deposit amounts totaling \$4,304,990.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand The Board as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities - Cash Basis provide information about the activities of the whole Board, presenting both an aggregate view of The Board's finances and a longer-term view of those assets. Major 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 dollars remain for future spending.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

Basis of Accounting

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

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

REPORTING THE BOARD AS A WHOLE

The statement of net assets and the statement of activities reflect how the Board did financially during 2005, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balances of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

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

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Board's major programs are reported. Charges for services and state and federal grants finance most of these activities. To a significant extent, benefits provided through the governmental activities are being paid for by the people receiving them.

REPORTING THE HEALTH DISTRICT'S MOST SIGNIFICANT FUNDS

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

Governmental Funds - The Board's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Board's governmental operations and the services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's service programs.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

The Board's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Board's major governmental funds are the General Fund, Community Mental Health Services State Fund, Mental Health Systems State Fund, the Medicaid Mental Health Fund and the Capital Projects Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Board maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all five major funds. The basic governmental fund financial statements can be found starting on page 11 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside The Board. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support The Board's own programs.

Notes To The Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

THE BOARD AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Board as a whole. Table 1, below, provides a summary of the Board's net assets for 2005 compared to 2004.

**Table 1
Net Assets – Cash Basis**

	Governmental Activities	
	2005	2004
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,304,990	\$4,033,614
Net Assets		
Restricted for:		
Budget Stabilization	945,159	
Other Purposes	100,414	6,829
Capital Outlay	749,948	
Unrestricted	2,509,469	4,026,785
Total Net Assets	\$4,304,990	\$4,033,614

Total assets increased \$271,376.

Table 2 shows the changes in net assets for the year ended December 31, 2005. Since this is the first year The Board has prepared financial statements following the format prescribed by GASB Statement 34, receipts and disbursement comparison to year 2004 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

**Table 2
Changes in Net Assets**

	Governmental Activities 2005
Receipts	
Program Cash Receipts	
Operating Grants and Contributions	\$8,035,364
Charges for Services	<u>57,382</u>
Total Program Cash Receipts	8,092,746
General Receipts	
Property Taxes	1,045,421
Intergovernmental	112,755
Other Receipts	<u>88,773</u>
Total General Receipts	<u>1,246,949</u>
Total Receipts	9,339,695
Disbursements	
Environmental Health	
General Government	481,340
Health Services	8,470,840
Employee Benefits	<u>116,139</u>
Total Disbursements	<u>9,068,319</u>
Change in Net Assets	271,376
Net Assets Beginning of Year	<u>4,033,614</u>
Net Assets End of Year	<u><u>\$4,304,990</u></u>

In 2005, 13 percent of the Board's total receipts were from general receipts which consists mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 87 percent of the Board's total receipts in year 2005. Medicaid and its matching funds, federal operating grants, and state funds awarded for specific programs or purposes primarily make up these receipts.

Total Cost versus Net Cost of Services

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. The "net cost" amount represents the cost of those services supported by property tax receipts and intergovernmental revenues. Comparisons to 2004 have not been made since they are not available.

	Table 3 2005 Total Cost of Services	2005 Net Cost of Services
Functions/Program		
Governmental Activities:		
Health Services	\$8,470,840	\$874,991
General Government	481,340	100,582
Employee Benefits	<u>116,139</u>	<u>0</u>
Total Governmental Activities	<u><u>\$9,068,319</u></u>	<u><u>\$975,573</u></u>

The Board's reliance upon intergovernmental revenues, property tax receipts, and other general revenues is apparent as 11 percent of governmental activities are supported through these general receipts.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

THE BOARD'S FUNDS

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

As of the end of 2005, the Board's governmental funds reported combined ending fund balances of \$4,304,990, an increase of \$271,376.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005:

	Fund Balance 12/31/2005	Fund Balance 12/31/2004	Increase (Decrease)
General	\$3,634,891	\$4,472,179	(\$837,288)
505 State Fund	\$6,274	(\$30,045)	\$36,319
408 State Fund	\$4,862	\$6,829	(\$1,967)
Medicaid MH	(\$180,263)	(\$158,268)	(\$21,995)
Other	\$89,278	(\$257,081)	\$346,359
Capital Projects	\$749,948		\$749,948
Total	<u>\$4,304,990</u>	<u>\$4,033,614</u>	<u>\$271,376</u>

The general fund is the chief operating fund of The Board. The remaining fund balances of the Special Revenue funds will be paid to provider and other governmental agencies once requests for reimbursement are submitted.

GENERAL FUND BUDGETARY INFORMATION

The Board's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances.

During the course of 2005, The Board did not amend its general fund budget throughout the year. For the general fund, original budgeted receipts were \$1,075,407 and final budgeted receipts were \$1,075,407. Actual receipts for fiscal year 2005 was \$1,304,331. This represents a \$228,924 increase over final budgeted receipts.

General fund original appropriations (appropriated expenditures) of \$1,883,380 were not amended during 2005. The actual budget basis expenditures 2005 totaled \$2,407,806, which was \$524,426 more than the final budget appropriations. This is in violation of Ohio Rev. Code Section 5704.41(B).

CAPITAL RENOVATIONS

The Board has been awarded Capital funding in the form of two grants directly from the Ohio Department of Mental Health for property renovations in Kenton and St. Mary's in the amount of \$150,000 per facility. These renovations and funds are expected to be received in 2006.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Changes in the insurance market will accelerate the shift costs from the private to public market, which will increase demand for services, and change consumer expectations for types of services.

An increase in the proportion of consumers who are Medicaid eligible will continue to require payments for services that are not optional and may increase the number of contract agencies who are targeting Medicaid consumers. This would impact the availability of funding for non-Medicaid consumers.

Current tax reform legislation introduced by the Governor's Office and being considered by the General Assembly may negatively impact future levy collections. Specifically revenues received from the tangible personal property tax may be reduced materially impacting revenues.

The Board passed a replacement tax levy in May of 2005. Collections on this levy are estimated to increase by \$500,000 and will begin in February 2006.

The demand for services are expected to increase in terms of quality and complexity, while resources may decrease. In addition, expectations of new and emerging populations may increase the need for additional culturally competent services.

Discretionary revenues are expected to diminish over the next few years. The Board will be challenged to maintain current levels of service and programs, but will attempt to do so through the most efficient uses of financial resources possible.

The uncertainty surrounding the economy may have an impact on our community and the demand for services.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of Board's finances and it's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chris W. Karcz, CPA, Chief Financial Officer, Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, 1541 Allentown Rd., Suite B, Lima, OH 45805.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE, AND HARDIN COUNTIES
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,304,990</u>
Total Assets	<u><u>4,304,990</u></u>
Net Assets	
Restricted for:	
Budget Stabilization	945,159
Other Purposes	100,414
Capital Outlay	749,948
Unrestricted	<u>2,509,469</u>
Total Net Assets	<u><u>\$4,304,990</u></u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE, AND HARDIN COUNTIES
ALLEN COUNTY**

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

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Changes in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Health Services:				
Contract - Services	\$8,470,840	\$57,382	\$7,538,467	(\$874,991)
General Government:				
Salaries	262,342		262,342	
Supplies	10,669		10,669	
Equipment	4,437		4,437	
Contract - Repair	1,154		1,154	
Rentals	35,254		35,254	
Advertising and Printing	89,709		5,550	(84,159)
Travel and Expenses	10,188		10,188	
Other Expenses	33,362		16,939	(16,423)
Reimbursements	34,225		34,225	
Employee Benefits:				
Public Employee's Retirement	58,400		58,400	
Health Insurance	50,171		50,171	
Life Insurance	846		846	
Medicare	3,770		3,770	
Workers' Comp.	2,952		2,952	
Total Governmental Activities	<u>\$9,068,319</u>	<u>\$57,382</u>	<u>\$8,035,364</u>	(975,573)
		General Revenues:		
				1,045,421
				112,755
				<u>88,773</u>
			Total General Revenues	<u>1,246,949</u>
			Change in Net Assets	271,376
			Net Assets - Beginning of Year	<u>4,033,614</u>
			Net Assets - End of Year	<u>\$4,304,990</u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE, AND HARDIN COUNTIES
ALLEN COUNTY**

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

	Governmental Fund Types					Total Governmental Funds	
	General	Mental Health Systems	Community Mental Health Services	Medicaid Mental Health	Capital Projects		Other Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$3,634,891	\$6,274	\$4,862	(\$180,263)	\$749,948	\$89,278	\$4,304,990
Total Assets	<u>3,634,891</u>	<u>6,274</u>	<u>4,862</u>	<u>(180,263)</u>	<u>749,948</u>	<u>89,278</u>	<u>4,304,990</u>
Liabilities and Fund Balance							
Reserved for Encumbrances	266,187					33,905	300,092
Reserved for Budget Stabilization	945,159						945,159
Reported In:							
General Fund	2,423,545						2,423,545
Special Revenue Funds		6,274	4,862	(180,263)		55,373	(113,754)
Capital Project Fund					749,948		749,948
Total Fund Balances	<u>\$3,634,891</u>	<u>\$6,274</u>	<u>\$4,862</u>	<u>(\$180,263)</u>	<u>\$749,948</u>	<u>\$89,278</u>	<u>\$4,304,990</u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE, AND HARDIN COUNTIES
ALLEN COUNTY**

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

	Governmental Fund Types		
	General	Mental Health Systems	Community Mental Health Services
Receipts:			
Taxes	\$1,045,421		
Grants	21,000	\$1,362,543	\$2,777,138
Intergovernmental Revenue	112,755		
Contract Services	57,382		
Other	67,773		
Total Cash Receipts	<u>1,304,331</u>	<u>1,362,543</u>	<u>2,777,138</u>
Disbursements:			
Current Operations:			
Health Services:			
Contract - Services	1,246,001	955,610	2,779,105
General Government:			
Salaries		170,284	
Supplies		10,669	
Equipment		4,437	
Contract - Repair		1,154	
Rentals		35,254	
Advertising and Printing	81,831	5,550	
Travel and Expenses		10,188	
Other Exp.	13,787	16,939	
Reimbursements			
Employee Benefits:			
Public Employee's Retirement		58,400	
Health Insurance		50,171	
Life Insurance		846	
Medicare		3,770	
Workers' Comp.		2,952	
Total Cash Disbursements	<u>1,341,619</u>	<u>1,326,224</u>	<u>2,779,105</u>
Total Receipts Over/(Under) Disbursements	(37,288)	36,319	(1,967)
Other Financing Receipts/(Disbursements):			
Transfers (Out)	(800,000)		
Transfers In			
Total Other Financing Receipts/(Disbursements)	<u>(800,000)</u>		
Net Change in Fund Balance	(837,288)	36,319	(1,967)
Fund Cash Balances, January 1, 2005	<u>4,472,179</u>	<u>(30,045)</u>	<u>6,829</u>
Fund Cash Balances, December 31, 2005	<u><u>\$3,634,891</u></u>	<u><u>\$6,274</u></u>	<u><u>\$4,862</u></u>

See accompanying notes to the basic financial statements.

Governmental Fund Types			
Medicaid Mental Health	Capital Projects	Other Governmental Funds	Totals (Memorandum Only)
			\$1,045,421
\$1,651,878		\$2,243,805	8,056,364
			112,755
			57,382
			67,773
<u>1,651,878</u>	<u></u>	<u>2,243,805</u>	<u>9,339,695</u>
1,642,176	\$45,088	1,802,860	8,470,840
		92,058	262,342
			10,669
			4,437
			1,154
			35,254
	2,328		89,709
			10,188
	2,636		33,362
31,697		2,528	34,225
			58,400
			50,171
			846
			3,770
			2,952
<u>1,673,873</u>	<u>50,052</u>	<u>1,897,446</u>	<u>9,068,319</u>
(21,995)	(50,052)	346,359	271,376
			(800,000)
	800,000		800,000
	<u>800,000</u>		
(21,995)	749,948	346,359	271,376
<u>(158,268)</u>	<u></u>	<u>(257,081)</u>	<u>4,033,614</u>
<u>(\$180,263)</u>	<u>\$749,948</u>	<u>\$89,278</u>	<u>\$4,304,990</u>

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Taxes	\$694,017	\$694,017	\$1,045,421	\$351,404
Other Sources	381,388	381,388	258,910	(122,478)
Total Cash Receipts	1,075,405	1,075,405	1,304,331	228,926
Disbursements				
Services, Grants and Contracts	1,690,248	1,690,248	1,512,188	178,060
Board Administration	59,725	59,725	81,831	(22,106)
Miscellaneous	133,407	133,407	13,787	119,620
Total Cash Disbursements	1,883,380	1,883,380	1,607,806	275,574
Excess of Receipts Over (Under) Disbursements	(807,975)	(807,975)	(303,475)	504,500
Other Financing Sources (Uses)				
Transfers Out			(800,000)	(800,000)
Total Other Financing Sources (Uses)			(800,000)	(800,000)
Net Change in Fund Balance	(807,975)	(807,975)	(1,103,475)	(295,500)
Fund Balance Beginning of Year	4,264,206	4,264,206	4,264,206	
Prior Year Encumbrances Appropriated	207,973	207,973	207,973	
Fund Balance End of Year	<u>\$3,664,204</u>	<u>\$3,664,204</u>	<u>\$3,368,704</u>	<u>(\$295,500)</u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MENTAL HEALTH SYSTEMS STATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Grants	\$1,352,543	\$1,352,543	\$1,362,543	\$10,000
Total Cash Receipts	<u>1,352,543</u>	<u>1,352,543</u>	<u>1,362,543</u>	<u>10,000</u>
Disbursements				
Services, Grants and Contracts	904,843	904,843	955,610	(50,767)
Board Administration	447,700	447,700	370,614	77,086
Total Cash Disbursements	<u>1,352,543</u>	<u>1,352,543</u>	<u>1,326,224</u>	<u>26,319</u>
Net Change in Fund Balance			36,319	36,319
Fund Balance Beginning of Year	<u>(30,045)</u>	<u>(30,045)</u>	<u>(30,045)</u>	
Fund Balance End of Year	<u><u>(\$30,045)</u></u>	<u><u>(\$30,045)</u></u>	<u><u>\$6,274</u></u>	<u><u>\$36,319</u></u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
COMMUNITY MENTAL HEALTH SERVICES STATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Grants	\$2,755,102	\$2,755,102	\$2,777,138	\$22,036
Total Cash Receipts	<u>2,755,102</u>	<u>2,755,102</u>	<u>2,777,138</u>	<u>22,036</u>
Disbursements				
Services Grants and Contracts	2,802,487	2,802,487	2,779,105	23,382
Total Cash Disbursements	<u>2,802,487</u>	<u>2,802,487</u>	<u>2,779,105</u>	<u>23,382</u>
Net Change in Fund Balance	(47,385)	(47,385)	(1,967)	45,418
Fund Balance Beginning of Year	(40,556)	(40,556)	(40,556)	
Prior Year Encumbrances Appropriated	<u>47,385</u>	<u>47,385</u>	<u>47,385</u>	
Fund Balance End of Year	<u><u>(\$40,556)</u></u>	<u><u>(\$40,556)</u></u>	<u><u>\$4,862</u></u>	<u><u>\$45,418</u></u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MEDICAID MENTAL HEALTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Grants	\$1,500,000	\$1,500,000	\$1,651,878	\$151,878
Total Cash Receipts	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,651,878</u>	<u>151,878</u>
Disbursements				
Services, Contracts and Grants	1,500,000	1,600,000	1,673,873	(73,873)
Total Cash Disbursements	<u>1,500,000</u>	<u>1,600,000</u>	<u>1,673,873</u>	<u>(73,873)</u>
Net Change in Fund Balance		(100,000)	(21,995)	78,005
Fund Balance Beginning of Year	<u>(158,268)</u>	<u>(158,268)</u>	<u>(158,268)</u>	
Fund Balance End of Year	<u><u>(\$158,268)</u></u>	<u><u>(\$258,268)</u></u>	<u><u>(\$180,263)</u></u>	<u><u>\$78,005</u></u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE, AND HARDIN COUNTIES
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	Agency Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$11,564</u>
Net Assets	
Restricted Net Assets held in trust for beneficiaries	<u>\$11,564</u>

See accompanying notes to the basic financial statements.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. REPORTING ENTITY

The Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties (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 directed by a fifteen-member Board. Board members are appointed by the Board's Director and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Allen, Auglaize and Hardin Counties, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

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 organizations' government 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 to organizations' resources; or (3) the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Board is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the Board has no component units. The basic financial statements of the reporting entity include only those of the Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the Board at year end. The statement of activities compares disbursements and program receipts for each program or function of the Board's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Board.

2. Fund Financial Statements

During the year, the Board segregates transactions related to the Board's activities in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements report detailed information about the Board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Board are presented in two categories: governmental and fiduciary.

1. Governmental Funds

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

General Fund -The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

Community Mental Health Services State Fund – Used to account for proceeds received from the State of Ohio to provide services to persons with severe mental/emotional disabilities and for the promotion and support of their recovery and resilience.

Mental Health Systems State Fund – Used to account for proceeds received from the State of Ohio to support general community mental health services to all Ohioans, to support community mental health services for adults and children who meet ODMH criteria for severe mental disabilities or emotional disturbances and to support systematic improvements in service delivery.

Medicaid Mental Health Fund – Used to account for federal financial participation amounts for Medicaid eligible mental health clients.

Capital Projects Fund – This fund accounts for all resources to be used for the construction or acquisition of designated fixed assets by the Board except those financed by proprietary or fiduciary funds.

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

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the Board reports the following fund type:

2. Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds account for cash and investments where the Board is acting as trustee or fiscal agent for other entities or individuals. Fiduciary Funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Board's agency fund consists of a Council of Governments Fund which accounts for the remaining cash balance of the Mental Health Board of Western Ohio, and the monthly rental income from the building at 799 South Main St. and 797 South Main St, Lima, Ohio.

C. Basis of Accounting

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

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

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 resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board members. The legal level of control has been established by the Board at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Board. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources 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 resolution 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 resolution 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.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

As required by the Ohio Revised Code, the County Treasurer is the custodian for the Board's cash and investments. The County's cash and investment pool holds the Board's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County. For information regarding deposit and investment disclosures of the Mental Health and Recovery Services Board, the Treasurer of Allen County, Rhonda Eddy, may be contacted at 301 North Main Street, Lima, Ohio 45801.

F. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

G. Capital Assets

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

H. Accumulated Leave

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

I. Fund Balance Reserves

The Board reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. 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.

J. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

K. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Assets

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

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 implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

4. ACCOUNTABILITY AND COMPLIANCE

At December 31, 2005, the following funds had deficit balances: Medicaid Mental Health (\$180,263); Youth Mentoring (\$3,208), Title XX (\$58,015), Medicaid Alcohol/Drug (\$21,015), Federal Per Capita (\$27,630), Community Plan Block Grant (\$5,363), PASARR (\$1,600), and UMADAOP SAPT Block Grant (\$27,491). Contrary to Ohio law, the funds above have deficit fund balances, which indicate that revenues from other funds were used to meet the expenses of those funds.

5. BUDGETARY BASIS OF ACCOUNTING

The budget basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the general fund and each major special revenue fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budget basis) amounted to:

General Fund	<u>\$266,187</u>
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6. EQUITY IN POOLED CASH

The Allen County Auditor acts as the fiscal agent for the Board and the County Treasurer maintains a cash and investment pool used by all County funds. Because of the nature of the pool all County funds are commingled, the risk involved and the preferential claim of the Board cannot be determined.

The Allen County Auditor's records indicated the Board's cash balance as of December 31, 2005, was \$4,304,990.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

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 personal property tax received in 2005 represent the collection of 2004 taxes. Public utility tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected in 2005 with real property taxes. 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 Board receives property taxes from Allen, Auglaize, and Hardin Counties. Each County Treasurer collects property taxes on behalf of all taxing districts within their County. Each County Auditor periodically remits to the taxing districts their portion of the taxes collected.

The full tax rate for the Mental Health and Recovery Services Board operations for the year ended December 31, 2005, was .50 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	<u>Allen</u>	<u>Auglaize</u>	<u>Hardin</u>
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,516,886,150	\$683,181,650	\$353,498,240
Public Utilities	86,569,560	259,820	580,550
Tangible Personal Property	<u>377,434,053</u>	<u>131,724,477</u>	<u>72,415,266</u>
Total Assessed Value	<u>\$1,980,889,763</u>	<u>\$815,165,947</u>	<u>\$426,494,056</u>

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

8. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2005, were as follows:

<u>Transfer From</u>	<u>Transfer to</u>
Governmental Activities General	Capital Projects <u>\$800,000</u>

9. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

The Board also participates in the County Employee Health Insurance Plan established by Allen County to account for and finance employee health benefits. The employee Health Care Plan is responsible for the first \$90,000 in aggregated claims year. After that, stop-loss covers up to a lifetime maximum of \$2,000,000 per covered person. Further information may be obtained by contacting the Allen County Administrator, 301 North Main Street, Lima, Ohio 45801.

10. DEFINED BENEFIT PENSION PLAN

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) 222-6701 or (800) 222-7377.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

10. DEFINED BENEFIT PENSION PLAN (Continued)

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; however, the Board picked up 100 percent of employee contributions. The employer contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board's required contributions for pension obligations, including the employee portion, to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$58,400, \$49,738, and \$52,232 respectively; 100 percent has been contributed for all years.

11. POSTEMPLOYMENT BENEFITS

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 benefit recipients and qualified survivor benefit 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*. 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 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, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases.

Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 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 376,109. The Board's contribution actually made to fund postemployment benefits was \$10,494.

The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

11. POSTEMPLOYMENT BENEFITS (continued)

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. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

12. CONTINGENT LIABILITIES

A. Grants

The Board has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Board believes such disallowances, if any, will be immaterial.

B. Fund Designation

In recognition of the risk inherent in its operations, the Board has designated a portion of its general fund balance (analogous in the insurance industry to a catastrophe fund) to absorb financial shortfalls, whether temporary or permanent. The designation exists to help the Board meet its statutory and contractual responsibilities in the event that the cost for client related services exceed available revenues. These shortfalls can come about because of discontinued funding for a specific program, reductions in funding from selected services or over-runs in cost.

The recommended fund balance designation requirement was developed as equal to one month of the total operating budget (1/12). This percentage is then converted to a dollar amount for the current operating year identifying a minimum level. At December 31, 2005 the Board had designated \$945,159 for possible future financial shortfalls. Effective May 16, 2006, the policy was changed to increase the reserve amount to equal 2 months of the total operating budget (1/6).

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**MENTAL HEALTH AND RECOVERY SERVICES OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

Federal Grantor Program Title	Federal CFDA Number	Project Number	Receipts	Disbursements
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Ohio Department of Mental Health:				
Community Plan Block Grant	93.958	01-BG01PLAN-05	\$41,210	\$35,536
	93.958	01-BG01PLAN-06	74,372	79,735
Children/Adolescent Blook Grant	93.958	01-CS2-FY05	44,163	20,924
Total Block Grants for Community Mental Health Services			<u>159,745</u>	<u>136,195</u>
All Hazards Block Grant	93.003	FY05	10,232	10,232
FAST	93.556	FY05		21,035
	93.556	FY06	21,896	
Total FAST			<u>21,896</u>	<u>21,035</u>
Social Services Block Grant-Title XX	93.667	FY 05	137,318	47,949
	93.667	FY 06	34,215	92,230
Total Social Services Block Grant			<u>171,533</u>	<u>140,179</u>
Medical Assistance Program	93.778	FY 05	744,531	736,952
	93.778	FY 06	815,979	844,802
Passed Through Ohio Depart of Alcohol and Drug Addiction Services:				
Medical Assistance Program	93.778	FY 05	108,557	109,963
	93.778	FY 06	146,062	142,043
Total Medical Assistance Program			<u>1,815,129</u>	<u>1,833,760</u>
State Childrens Insurance Program	93.767	FY 05	26,789	26,789
	93.767	FY 06	35,577	35,577
Passed Through Ohio Department of Mental Health:				
State Childrens Insurance Program	93.767	FY 05	59,845	59,845
	93.767	FY 06	42,174	42,174
Total State Childrens Insurance Program			<u>164,385</u>	<u>164,385</u>
Passed Through Ohio Depart of Alcohol and Drug Addiction Services:				
Federal Per Capita	93.959	01-BGD-FY05	494,621	293,137
	93.959	01-BGD-FY06	242,740	270,370
UMADAOP	93.959	0205004-00-UMP-05	133,700	51,233
	93.959	0205004-00-UMP-06	68,720	96,211
Total Substance Abuse Prevention and Treatment Block Grant			<u>939,781</u>	<u>710,951</u>
Total Federal Assistance - U.S. Department of Health and Human Services			<u><u>\$3,282,701</u></u>	<u><u>\$3,016,737</u></u>

See accompanying Notes to the Schedule of Federal Awards.

**MENTAL HEALTH AND RECOVERY SERVICES OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (the Schedule) summarizes activity of the Mental Health and Recovery Service's (the Board) federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – SUBRECIPIENTS

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

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

NOTE C – MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties
Allen County
1541 Allentown Road, Suite B
Lima, Ohio 45805

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, (the Board), as of and for the year ended December 31, 2005, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Board's management dated October 4, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Board's management dated October 4, 2006, we reported other matters related to noncompliance we deemed immaterial.

Mental Health and Recovery Services of
Allen, Auglaize and Hardin Counties
Allen County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 4, 2006



Auditor of State Betty Montgomery

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

Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties
Allen County
1541 Allentown Road, Suite B
Lima, Ohio 45805

To the Members of the Board:

Compliance

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

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

In our opinion, the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The Board's management 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 directly and materially affect a major federal program 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

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 timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 4, 2006

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN 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)?	Yes
<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 (Medicaid, Title XIX) CFDA #93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2005-001

Ohio Revised Code Section 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, deficit fund balances indicate that money from one fund was used to cover the expenses of other funds. The following funds had deficit fund cash balances at year end:

Fund	Deficit Amount
Medicaid Mental Health	\$180,263
Youth Mentoring	3,208
Title XX	58,015
Medicaid Alcohol/Drug	21,015
Federal Per Capita	27,630
Community Plan Block Grant	5,363
PASARR	1,600
UMADAOP SAPT Block Grant	27,491
Total Deficit Fund Balances	\$324,585

A cash advance could be a desirable method to resolve cash flow problems resulting from grants that are allocated on a reimbursement basis. An advance is intended to temporarily reallocate cash from one fund to another and involves an expectation of repayment. However, advances are subject to the following requirements:

- a) Any advance must be clearly labeled as such, and must be distinguished from a transfer, which is intended to reallocate money permanently from one fund to another;
- b) In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- c) The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- d) Advances must be approved by a formal resolution of the taxing authority of the subdivision and must include: a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

Advances from the General Fund to other funds should be considered to prevent deficit fund balances. Guidance for approving and accounting for advances is included in Auditor of State Bulletin 97-003.

Officials' Response

The Board has considered advancing funds to prevent negative fund balances, but feels that the negative balances for reimbursing grants are short term, and advancing to cover these negative balances would be cumbersome and confusing.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Rev. Code Section 5705.10, Deficit Fund Balances	No	The Board has considered advancing funds to prevent negative fund balances, but feels that the negative balances for reimbursing grants are short term, and advancing to cover these negative balances would be cumbersome and confusing. Repeated as Finding 2005-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2006**