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# **COMMUNITY MENTAL HEALTH AND RECOVERY BOARD OF LICKING AND KNOX COUNTIES**

Basic Financial Statements – Cash Basis

December 31, 2009

(with Independent Auditors' Report)





# Mary Taylor, CPA

Auditor of State

Board Members  
Community Mental Health and Recovery  
Board of Licking and Knox Counties  
1435-B West Main Street  
Newark, Ohio 43055

We have reviewed the *Independent Auditors' Report* of the Community Mental Health and Recovery Board of Licking and Knox Counties, Licking County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2009 through December 31, 2009. 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 Community Mental Health and Recovery Board of Licking and Knox Counties is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

July 14, 2010

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## **INDEPENDENT AUDITORS' REPORT**

Community Mental Health and Recovery  
Board of Licking and Knox Counties, Ohio  
1435-B West Main Street  
Newark, Ohio 43055

We have audited the accompanying financial statements of the governmental activities and each major fund of the Community Mental Health and Recovery Board of Licking and Knox Counties, Ohio (the Board) as of and for the year ended December 31, 2009, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that 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 basis financial position of the governmental activities and each major fund of the Community Mental Health and Recovery Board of Licking and Knox Counties, Ohio, as of December 31, 2009, and the respective changes in cash basis financial position, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2010, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio  
June 16, 2010



The management's discussion and analysis of the Community Mental Health and Recovery Board of Licking and Knox Counties (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2009, 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 2009 are as follows:

- Net assets of the Board's governmental activities decreased \$509,770 from 2008, or 10.7%.
- General cash receipts accounted for \$10,940,206 or 62.7% of total governmental activities cash receipts. Program specific cash receipts accounted for \$6,519,599 or 37.3% of total governmental activities cash receipts. Total governmental activities cash receipts for 2009 were \$17,459,805.
- The Board had \$17,969,575 in cash disbursements related to governmental activities; \$6,519,599 of these cash disbursements were offset by program specific operating grants or contributions. The remaining cash disbursements of the governmental activities of \$11,449,976 were offset by general cash receipts (primarily property taxes and unrestricted grants and entitlements) of \$10,940,206.
- The Board's major governmental funds are the General and Capital Projects funds. The General fund had cash receipts of \$17,459,805 and cash disbursements of \$17,970,352. The net decrease in fund balance for the General Fund was \$510,547 or 10.7%.
- The Capital Projects fund had cash disbursements totaling \$98,937, of which was covered by a transfer-in totaling \$99,714. The fund balance was \$7,892 at fiscal year end.

### ***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.

***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 2009?" 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 alcohol and other drugs programs and mental health 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 two funds to account for financial transactions and has segregated these funds into major funds. Information for major funds is presented separately in the governmental fund financial statements. The Board's major governmental funds are the General and the Capital Projects funds.

*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.

Community Mental Health and Recovery Board  
Of Licking and Knox Counties

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
(Unaudited)

The Board's budgetary process accounts for certain transactions on the cash basis. The budgetary statement for the General fund is presented to demonstrate the Board's compliance with annually adopted budgets. Differences arising between the changes in fund balances presented on the fund financial statements and fund balances on the budgetary statements 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 2009 and a comparison of 2008.

**TABLE 1  
NET CASH ASSETS**

	Governmental Activities	
	2009	2008
Assets:		
Cash and Cash Equivalents	\$ 4,253,750	\$ 4,763,520
Total Assets	4,253,750	4,763,520
Net Cash Assets:		
Restricted	7,892	7,115
Unrestricted	4,245,858	4,756,405
Total Net Cash Assets	\$ 4,253,750	\$ 4,763,520

Net assets of the Board's governmental activities decreased \$509,770 from 2008, or 10.7%.

Community Mental Health and Recovery Board  
Of Licking and Knox Counties

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
(Unaudited)

The table below provides a summary of changes in the Board's net assets for 2009 in comparison to 2008.

**CHANGES IN NET CASH ASSETS**

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
<u>Cash Receipts</u>		
<i>Program Cash Receipts</i>		
Operating Grants and Contributions	\$ 6,519,599	\$ 5,673,016
<i>General Cash Receipts</i>		
Property Taxes	4,109,161	4,152,204
Unrestricted grants and entitlements	6,745,298	7,043,555
Reimbursements	85,747	162,477
Total Cash Receipts and Transfers	<u>17,459,805</u>	<u>17,031,252</u>
<u>Cash Disbursements</u>		
<i>Program Cash Disbursements</i>		
Salaries	406,180	359,111
Supplies	9,845	10,522
Equipment/Maintenance	27,850	27,679
Agencies Contract Services	13,440,881	12,903,962
Grants	263,921	317,094
Rentals	43,903	38,239
Utilities/Phone	23,317	23,488
Travel and Board Expense	7,061	7,478
Public Employees Retirement	54,872	50,046
Workers Compensation	9,963	7,379
Hospitalization	51,797	51,775
Medicare	5,776	5,103
Printing/Marketing	22,822	36,163
Medicaid Out of County Services	3,165,808	2,425,933
Professional Services	230,289	463,290
Other	106,353	139,472
Capital Outlay	98,937	-
Total Cash Disbursements	<u>17,969,575</u>	<u>16,866,734</u>
Change in Net Cash Assets	(509,770)	164,518
Net Cash Assets, Beginning of Year	<u>4,763,520</u>	<u>4,599,002</u>
Net Cash Assets, End of Year	<u>\$ 4,253,750</u>	<u>\$ 4,763,520</u>

Community Mental Health and Recovery Board  
Of Licking and Knox Counties

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
(Unaudited)

Agency Contract Services, which consists of payments to provider agencies, accounted for \$13,440,881 of the total cash disbursements of the Board. These services were offset by \$6,519,599 in operating grants and contributions. General cash receipts totaled \$10,940,206 and amounted to 62.7% of total cash receipts. General cash receipts primarily consist of property taxes, unrestricted grant entitlements, and reimbursement receipts.

Property tax receipts decreased \$43,043 from 2008 primarily due to the loss of tangible personal property taxes which have been phased out since 2006 and were eliminated in 2009. Additionally, the unrestricted grant entitlements decreased by \$298,257. Unrestricted grant entitlements include receipts from state sources including state grants from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services as well as homestead and rollback and state reimbursements for tangible personal property tax losses due to phase out. The Board will continue to receive increases in state sources from the tangible personal property tax loss through the year 2018.

Principal retirement of debt service of \$12,437 is reported as grants cash disbursements because repayments are made via reductions of amounts paid to the agency for services rendered. See Note 8 for the Debt footnote disclosure.

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. The table below provides a summary of program cash receipts compared to total cash disbursements for 2009 in comparison to 2008.

Community Mental Health and Recovery Board  
Of Licking and Knox Counties

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
(Unaudited)

**Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Salaries	406,180	406,180	359,111	359,111
Supplies	9,845	9,845	10,522	10,522
Equipment/Maintenance	27,850	27,850	27,679	26,679
Agencies Contract Services	13,440,881	6,921,282	12,903,962	7,230,946
Grants	263,921	263,921	317,094	317,094
Rentals	43,903	43,903	38,239	38,239
Utilities/Phone	23,317	23,317	23,488	23,488
Travel and Board Expense	7,061	7,061	7,478	7,478
Public Employees Retirement	54,872	54,872	50,046	50,046
Workers Compensation	9,963	9,963	7,379	7,379
Hospitalization	51,797	51,797	51,775	51,775
Medicare	5,776	5,776	5,103	5,103
Printing/Marketing	22,822	22,822	36,163	36,163
Medicaid Out of County Services	3,165,808	3,165,808	2,425,933	2,425,933
Professional Services	230,289	230,289	463,290	463,290
Other	106,353	106,353	-	-
Capital Outlay	<u>98,937</u>	<u>98,937</u>	<u>139,472</u>	<u>139,472</u>
Total	<u>\$ 17,969,575</u>	<u>\$ 11,449,976</u>	<u>\$ 16,866,734</u>	<u>\$ 11,192,718</u>

***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 funds are accounted for using the cash basis of accounting.

The Board's governmental funds reported a combined fund cash balance of \$4,253,750, which is \$509,770 lower than last year's combined total of \$4,763,520. The schedule below indicates the fund cash balance and the total change in fund cash balances as of December 31, 2009 and December 31, 2008, for all major governmental funds.

	Fund Balances 12/31/09	Fund Balances 12/31/08	Increase (Decrease)
Major funds:			
General	\$ 4,245,858	\$ 4,756,405	\$(510,547)
Capital Projects	<u>7,892</u>	<u>7,115</u>	<u>777</u>
Total	<u>\$ 4,253,750</u>	<u>\$ 4,763,520</u>	<u>\$(509,770)</u>

***Budgeting Highlights - General Fund***

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.

Budgetary information is presented for the General fund. In the General fund, the actual cash receipts came in \$1,883,382 higher than they were in the final budget due to conservative estimates and actual cash disbursements were \$364,457 less than the amount in 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.

*Debt Administration*

The Board had the following long-term obligations outstanding at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Main Place Note	\$167,650	\$173,638
River Valley Notes	<u>173,325</u>	<u>179,774</u>
Total	<u>\$340,975</u>	<u>\$353,412</u>

See Note 9 to the basic financial statements for more detail on the Board's long-term debt obligations.

**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. Wendy Williams, Executive Director, Community Mental Health and Recovery Board of Licking and Knox Counties, 1435B West Main Street, Newark, Ohio 43055.

Community Mental Health and Recovery Board  
Licking and Knox Counties

Statement of Net Assets - Cash Basis  
As of December 31, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash with Fiscal Agent	<u>\$ 4,253,750</u>
<i>Total Assets</i>	<u><u>\$ 4,253,750</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 7,892
Unrestricted	<u>4,245,858</u>
<i>Total Net Assets</i>	<u><u>\$ 4,253,750</u></u>

See accompanying notes to the basic financial statements.



Community Mental Health and Recovery Board  
Licking and Knox Counties

Statement of Activities - Cash Basis  
For the Year Ended December 31, 2009

	Cash Disbursements	Program Cash Receipts <u>Operating Grants and Contributions</u>	Net (Cash Disbursements) Cash Receipts and Changes in Net Assets <u>Governmental Activities</u>
<b>Governmental Activities</b>			
Salaries	\$ 406,180	\$ -	\$ (406,180)
Supplies	9,845	-	(9,845)
Equipment/Maintenance	27,850	-	(27,850)
Agencies Contract Services	13,440,881	6,519,599	(6,921,282)
Grants	263,921	-	(263,921)
Rentals	43,903	-	(43,903)
Utilities/Phone	23,317	-	(23,317)
Travel and Board Expense	7,061	-	(7,061)
Public Employees Retirement	54,872	-	(54,872)
Workers Compensation	9,963	-	(9,963)
Hospitalization	51,797	-	(51,797)
Medicare	5,776	-	(5,776)
Printing/Marketing	22,822	-	(22,822)
Medicaid Out of County Services	3,165,808	-	(3,165,808)
Professional Services	230,289	-	(230,289)
Other	106,353	-	(106,353)
Capital Outlay	98,937	-	(98,937)
<i>Total Governmental Activities</i>	<u>\$ 17,969,575</u>	<u>\$ 6,519,599</u>	<u>(11,449,976)</u>
 <b>General Receipts:</b>			
Property Taxes Levied for General Purposes			4,109,161
Entitlements - Unrestricted			6,745,298
Reimbursements			85,747
Total General Receipts			<u>10,940,206</u>
Change in Net Assets			(509,770)
Net Assets at Beginning of Year			<u>4,763,520</u>
Net Assets at End of Year			<u>\$ 4,253,750</u>

See accompanying notes to the basic financial statements.

Community Mental Health and Recovery Board  
Licking and Knox Counties

Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
As of December 31, 2009

	General	Capital Projects	Total Governmental Funds
<b>Assets</b>			
Cash with Fiscal Agent	\$ 4,245,858	\$ 7,892	\$ 4,253,750
<i>Total Assets</i>	<u>\$ 4,245,858</u>	<u>\$ 7,892</u>	<u>\$ 4,253,750</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$ 790,689	\$ -	\$ 790,689
Unreserved:			
General Fund	3,455,169	-	3,455,169
Capital Projects Fund	-	7,892	7,892
<i>Total Fund Balances</i>	<u>\$ 4,245,858</u>	<u>\$ 7,892</u>	<u>\$ 4,253,750</u>

See accompanying notes to the basic financial statements.

Community Mental Health and Recovery Board  
Licking and Knox Counties

Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2009

	General	Capital Projects	Total Governmental Funds
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 4,109,161	\$ -	\$ 4,109,161
Intergovernmental	13,264,897	-	13,264,897
Reimbursements	85,747	-	85,747
<i>Total Cash Receipts</i>	17,459,805	-	17,459,805
<b>Cash Disbursements:</b>			
Current:			
Salaries	406,180	-	406,180
Supplies	9,845	-	9,845
Equipment/Maintenance	27,850	-	27,850
Agencies Contract Services	13,440,881	-	13,440,881
Grants	263,921	-	263,921
Rentals	43,903	-	43,903
Utilities/Phone	23,317	-	23,317
Travel and Board Expense	7,061	-	7,061
Public Employees Retirement	54,872	-	54,872
Workers Compensation	9,963	-	9,963
Hospitalization	51,797	-	51,797
Medicare	5,776	-	5,776
Printing/Marketing	22,822	-	22,822
Medicaid Out of County Services	3,165,808	-	3,165,808
Professional Services	230,289	-	230,289
Other	106,353	-	106,353
Capital Outlay	-	98,937	98,937
<i>Total Cash Disbursements</i>	17,870,638	98,937	17,969,575
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	(410,833)	(98,937)	(509,770)
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	99,714	99,714
Transfers Out	(99,714)	-	(99,714)
<i>Total Other Financing Sources (Uses)</i>	(99,714)	99,714	-
<i>Net Change in Fund Balances</i>	(510,547)	777	(509,770)
<i>Fund Balances Beginning of Year</i>	4,756,405	7,115	4,763,520
<i>Fund Balances End of Year</i>	\$ 4,245,858	\$ 7,892	\$ 4,253,750

See accompanying notes to the basic financial statements.

Community Mental Health and Recovery Board  
Licking and Knox Counties

Statement of Cash Receipts, Cash Disbursements and Changes  
in Fund Cash Balance - Budget and Actual (Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Budgetary Basis Receipts:</b>				
Property and Other Local Taxes	\$ 3,665,907	\$ 3,665,907	\$ 4,109,161	\$ 443,254
Intergovernmental	11,834,018	11,834,018	13,264,897	1,430,879
Reimbursements	76,498	76,498	85,747	9,249
<i>Total Budgetary Basis Receipts</i>	<u>15,576,423</u>	<u>15,576,423</u>	<u>17,459,805</u>	<u>1,883,382</u>
<b>Budgetary Basis Disbursements:</b>				
Current:				
Salaries	348,723	411,798	406,180	5,618
Supplies	8,796	10,387	10,245	142
Equipment/Maintenance	25,937	30,628	30,211	417
Agencies Contract Services	12,183,974	14,387,738	14,191,456	196,282
Grants	226,588	267,571	263,921	3,650
Rentals	37,776	44,608	44,000	608
Utilities/Phone	24,153	28,521	28,132	389
Travel and Board Expense	8,586	10,139	10,001	138
Public Employees Retirement	47,110	55,631	54,872	759
Workers Compensation	8,554	10,101	9,963	138
Hospitalization	44,470	52,513	51,797	716
Medicare	4,959	5,856	5,776	80
Printing/Marketing	19,594	23,138	22,822	316
Medicaid Out of County Services	2,717,982	3,209,594	3,165,808	43,786
Professional Services	197,713	233,474	230,289	3,185
Other	116,637	137,734	135,854	1,880
<i>Total Budgetary Basis Disbursements</i>	<u>16,021,552</u>	<u>18,919,431</u>	<u>18,661,327</u>	<u>258,104</u>
<i>Excess (Deficiency) of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</i>	(445,129)	(3,343,008)	(1,201,522)	2,141,486
<b>Other Financing Uses</b>				
Transfers Out	-	(99,714)	(99,714)	-
<i>Net Change in Fund Balance</i>	(445,129)	(3,442,722)	(1,301,236)	2,141,486
<i>Fund Balance at Beginning of Year</i>	3,757,367	3,757,367	3,757,367	-
Prior Year Encumbrances Appropriated	999,038	999,038	999,038	-
<i>Fund Balance at End of Year</i>	<u>\$ 4,311,276</u>	<u>\$ 1,313,683</u>	<u>\$ 3,455,169</u>	<u>\$ 2,141,486</u>

See accompanying notes to the basic financial statements.

### **Note 1 – Reporting Entity**

The Community Mental Health and Recovery Board of Licking and Knox Counties, Ohio (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is made up of eighteen members and provides alcohol, drug addiction, and mental health services and programs to citizens of Knox and Licking 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 the cash basis of accounting as prescribed and permitted by the Auditor of State of Ohio. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The following are the more significant of the Board's accounting policies.

**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

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 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 modified 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 separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental fund financial statements is on major funds.

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Board did not present any nonmajor funds for the year ended 2009. The Board had two major funds for the year ended 2009 which are described below.

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

**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 funds.

Governmental Funds

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 funds are the General fund and the Capital Projects fund.

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

*Capital Projects* - The Capital Projects fund is used to account for Board improvements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 fund and 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 certificate 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.

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

**E. Cash and Cash Equivalents**

As required by Ohio Revised Code, the Licking County Treasurer is custodian for the Board's cash and serves as fiscal agent. The Board's cash is held in Licking 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, 2009.

**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. Interfund Receivables/Payables**

The Board reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. There were no outstanding advances at December 31, 2009.

**J. 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.

**K. 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 Note 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.



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

**L. 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.

**M. 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. The Board did not have net assets restricted by enabling legislation.

**N. 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 2009. 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.

**O. Interfund Transactions**

Transfers between governmental fund financial statements are reported in the same manner as general cash receipts.

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating cash receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Board transferred \$99,714 from the General fund to the Capital Projects fund to cover expenses of purchasing property.

**P. 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 2009.

**Note 3 – 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 presented for the General fund 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 (Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances). The encumbrances outstanding at year end (budgetary basis) amounted to \$790,689 for the General fund.

**Note 4 – Deposits and Investments**

The Licking 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.

**Note 4 – 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 Licking County Treasurer serves as the fiscal agent for the Board and the investments of Licking County funds, including the Board's cash. The Board maintains no control over the investment of its cash. At December 31, 2009, the carrying amount of the Board's deposits was \$4,253,750.

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

**Note 5 – 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 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, 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 tangible personal property currently is assessed at varying percentage of true value; public utility real property is assessed at 6.25 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

2009 tangible personal property taxes are levied after October 1, 2009, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments for inventory, including machinery and equipment, were 12.5 percent. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 was 6.25 percent, however in 2009 it was reduced to zero.

The County is responsible for assessing property, billing, collecting, and distributing all property taxes on behalf of the Board.

### **Note 6 – 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 coverages during the fiscal year 2009. Settled claims have not exceeded commercial excess coverages in any of the past three years.

### **Note 7 – Defined Benefit Pension Plan**

#### Ohio Public Employees Retirement System

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS provides retirement, disability, survivor and death benefits, as well as post-employment health care coverage to qualifying members. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multi-employer defined benefit plan; the Member-Directed Plan – a defined contribution plan in which employer contributions vest over five years at 20 percent per year; and the Combined Plan – a cost-sharing, multi-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

The Ohio Revised Code provides statutory authority for member and employer contributions. The 2009 member contribution rates were 10.0 percent for members in state and local classifications. The 2009 employer contribution rate for state and local employers was 14.0 percent of covered payroll.

The rates stated above, are the contractually required contribution rates for OPERS. The Board's contributions to OPERS for the years ending December 31, 2009, 2008 and 2007, were \$40,618, \$35,911 and \$36,605 respectively, equal to the required contributions for each year.

### **Note 8 – Postemployment Benefits**

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

**Note 8 – Postemployment Benefits (Continued)**

The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.00 percent of covered payroll. The ORC currently limits the employer contributions to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits.

The portion of employer contributions allocated to health care was 7.0 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the Board's contributions that was used to fund post-employment benefits for the years ending December 31, 2009, 2008 and 2007 were \$23,863, \$25,023 and \$21,392, respectively; equal to the required contributions of each year.

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

**Note 9 – Debt**

The Board's long-term debt activity for the year ended December 31, 2009, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance at 12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/09</u>	<u>Due Within One Year</u>
1995 River Valley Note	0%	\$ 122,850	\$ -	\$ (4,725)	\$ 118,125	\$ 4,725
1998 Main Place Note	0%	173,638	-	(5,988)	167,650	5,987
2001 River Valley Noted	0%	<u>56,924</u>	<u>-</u>	<u>(1,724)</u>	<u>55,200</u>	<u>1,725</u>
Total Long-Term Debt		<u>\$ 353,412</u>	<u>\$ -</u>	<u>\$ (12,437)</u>	<u>\$ 340,975</u>	<u>\$ 12,437</u>

**Note 9 – Debt (Continued)**

The terms of the mortgages are 40 year loans with fixed amounts to be amortized annually. The mortgages represent capital grants provided by ODMH to the Board.

The properties purchased with the grants are used to provide grant program services, therefore, for each year the property is used in this manner, the fixed payment is amortized based on an amortization schedule provided by ODMH. If the Board ceased to use the property for program services, the remaining unamortized balance would be due to ODMH and the Board would be liable for the payment. The Board does not anticipate a change in the use of these properties.

The following is a summary of the Board’s future annual debt service requirements:

<u>Year</u>	<u>1995 River Valley Note Principal</u>	<u>1998 Main Place Note Principal</u>	<u>2001 River Valley Note Principal</u>
2010	\$ 4,725	\$ 5,987	\$ 1,725
2011	4,725	5,987	1,725
2012	4,725	5,987	1,725
2013	4,725	5,987	1,725
2014	4,725	5,987	1,725
2015-2019	23,625	29,938	8,625
2020-2024	23,625	29,938	8,625
2025-2029	23,625	29,938	8,625
2030-2034	23,625	29,938	8,625
2035-2039	-	17,963	8,625
2040-2044	-	-	3,450
Totals	<u>\$ 118,125</u>	<u>\$ 167,650</u>	<u>\$ 55,200</u>

**Note 10 – Recovery of Advances**

To alleviate cash flow issues at the provider agencies, the Board may make advances to the provider agency for services to be rendered. When advances cannot be covered by services provided in the same year, plans may be implemented and/or outstanding balances are placed on contingency for future services. Methods of recovery included cash payments to the Board from the provider agency, or the provider agency could provide verification that services were rendered by the provider agency that were not previously reimbursed by the Board.

Moundbuilders Guidance Center (MGC) received no advances during 2009.

**Note 10 – Recovery of Advances (Continued)**

Balances owed to the Board as of December 31, 2009 are as follows:

<u>Agency</u>	<u>Balance at 12/31/2008</u>	<u>New Advances</u>	<u>Amounts Recovered</u>	<u>Balance at 12/31/2009</u>
MGC	\$1,438,580	-	-	\$1,438,580

**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, 2009.

**B. Litigation**

The Board has been named a defendant in a matter regarding the termination of an employee of one of the Board’s contractual provider agencies. The case is still ongoing and the ultimate outcome of any legal proceedings cannot be reasonably predicted. It is the opinion of management, that any potential liability to the Board, if any, would not have a material effect on the financial position or activities of the Board.

**Note 12 – Related Party Transactions**

The Board has allowed The Main Place, a provider agency of the Board, to use a building free of rent since September 1986. Additionally, as of February 2007, the Board leases to The Main Place a house which is used for program participants. The lease arrangement required The Main Place to establish a property repair account within their general ledger which they are to deposit \$200 per month for the first year of the lease and \$250 per month for all subsequent years of the lease. These funds are restricted and may only be used for related property expenses.

The Board has allowed the River Valley facility to use a building free of rent since November 1995. River Valley is a resident complex that Moundbuilders Guidance Center, a provider agency of the Board, uses to house program participants.

**Note 13 - Operating Leases**

The Board currently leases various office space and equipment including communication equipment and copiers. The terms of noncancellable leases vary from 36 months up to 60 months and began on various dates. Future annual minimum payments for the office space are as follows:

<u>For the Year Ending</u>	<u>Amount</u>
2010	\$ 38,685

Lease expense for the year ending December 31, 2009 totaled \$53,154.

Community Mental Health and Recovery Board  
of Licking and Knox Counties  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Year</u>	<u>Pass Through Number</u>	<u>Expenditure</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>				
<i>(Passed through Ohio Department of Alcohol and Drug Addiction Services)</i>				
Safe and Drug-Free Schools and Communities State Grants	84.186	2009	COME-ADA-WPO73B	\$ 113,081
Total U.S. Department of Education				<u>113,081</u>
<b>U.S. DEPARTMENT OF HUMAN SERVICES:</b>				
<i>(Passed through Ohio Department of Mental Health)</i>				
Promoting Safe and Stable Families				
FAST \$		2009	26-CS-06-02	31,795
Incredible Years		2009	29-CS-07-01	8,719
Total Promoting Safe and Stable Families	93.556			<u>40,514</u>
Block Grants:				
Community Plan BG		2009	BG-26-06	94,293
Child/Adolescent BG		2009	BG-26-06	12,096
Total Block Grants	93.958			<u>106,389</u>
Social Services Block Grants:				
Medicaid	93.778	2008	MC-26-06	4,440,185
Medicaid - ARRA funds	93.778	2008	MC-26-06	729,218
CHIPS Mental Health	93.767	2008	MC-26-06	374,050
Title XX	93.667	2008	MH-26-06	94,102
Total Social Services Block Grant				<u>5,637,555</u>
<i>Total Passed through Ohio Department of Mental Health:</i>				<u>5,784,458</u>
<i>(Passed through Ohio Department of Alcohol and Drug Addiction)</i>				
Block Grants:				
Women's Federal		2009	COME-ADA-WPO73B	153,155
SAPT Per Capital Treatment		2009	45-45506	347,985
SAPT Per Capital Prevention		2009	45-45506	172,840
Prevention Svs. (Big Buddy)		2009	COME-ADA-WPO73B	41,262
Community Prevention - Wellness		2009	COME-ADA-WPO73B	66,310
Federal Prevention Services		2009	COME-ADA-WPO73B	12,677
Federal Youth Led Prevention		2009	COME-ADA-WPO73B	2,206
Total Block Grants	93.959			<u>796,435</u>
Social Services Block Grants:				
Medicaid	93.778	2008	MC-26-06	682,096
Medicaid - ARRA funds	93.778	2008	MC-26-06	104,066
CHIPS	93.767	2008	MC-26-06	95,882
Total Social Services Block Grant				<u>882,044</u>
<i>Total Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>				<u>1,678,479</u>
<i>(Passed through the Children and Family first Council of Licking County)</i>				
Drug Free Community Funds	93.276	2009		<u>106,570</u>
Total U.S. Department of Health and Human Services				<u>7,569,507</u>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>				<b>\$ <u>7,682,588</u></b>

See accompanying notes to the schedule of expenditures of federal awards



**1. Significant Accounting Policies**

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

**2. Subrecipients**

The Board passes through certain federal assistance received from the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and the Ohio Department of Mental Health (ODMH) to other governments or not-for-profit agencies (subrecipients). As described in Note 1 above, 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.

**3. Matching Requirements**

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

**4. Multiple Federal Programs Pass Through Agencies**

OMB Circular A-133 requires 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 2009, the Board received funding under the same federal program which was passed through both ODADAS and ODMH. The total expenditures for these programs are as follows:

<u>Program</u>	<u>Number</u>	<u>ODMH</u>	<u>ODADAS</u>	<u>Expenditures</u>
Medicaid	93.778	\$ 4,440,185	\$ 682,096	\$ 5,122,281
Medicaid - ARRA	93.778	\$ 729,218	\$ 104,066	\$ 833,284
CHIPS Mental Health	93.767	374,050	95,882	469,932

**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**

Community Mental Health and Recovery  
Board of Licking and Knox Counties, Ohio  
1435-B West Main Street  
Newark, Ohio 43055

We have audited the financial statements of the governmental activities and each major fund of the Community Mental Health and Recovery Board of Licking and Knox Counties, Ohio (the Board), as of and for the year ended December 31, 2009, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 16, 2010, in which it was noted the Board prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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

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

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## 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 its 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 an 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*.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co." The signature is written in black ink on a white background.

Springfield, Ohio  
June 16, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Community Mental Health and Recovery  
Board of Licking and Knox Counties, Ohio  
1435-B West Main Street  
Newark, Ohio 43055

**Compliance**

We have audited the compliance of the Community Mental Health and Recovery Board of Licking and Knox Counties, Ohio (the Board) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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, 2009.

**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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co.".

Springfield, Ohio  
June 16, 2010

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None Noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None Noted
Noncompliance material to financial statements noted?	None Noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None Noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None Noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None Noted
Identification of major programs:	
CFDA 93.778 – Title XIX Medicaid	
CFDA 93.767 – Childrens Health Insurance Program (CHIP)	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None noted

**Section III – Federal Awards Findings and Questioned Costs**

None noted

There were no audit findings noted in the prior audit.



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success





**Mary Taylor, CPA**  
Auditor of State

**COMMUNITY MHRB OF LICKING AND KNOX COUNTIES**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 27, 2010**