

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

ALLEN COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, prepared by Charles E. Harris & Associates, Inc., 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 Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 22, 2010

This Page is Intentionally Left Blank.

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

AUDIT REPORT
For the year ended December 31, 2009

Table of Contents

<u>Title</u>	<u>Page</u>
Report of Independent Accountants.....	1-2
Management’s Discussion and Analysis.....	3-11
Statement of Net Assets – Cash Basis - December 31, 2009.....	12
Statement of Activities – Cash Basis - For the Year Ended December 31, 2009.....	13
Statement of Cash Basis Assets and Fund Balances - December 31, 2009.....	14
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - For the Year Ended December 31, 2009.....	15
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – Budget Basis - General Fund - For the Year Ended December 31, 2009.....	16
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – Budget Basis – Community Mental Health Services State Fund For the Year Ended December 31, 2009.....	17
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – Budget Basis – Medicaid Mental Health Fund - For the Year Ended December 31, 2009.....	18
Notes to the Financial Statements.....	19-28
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>	31-32
Independent Accountants’ Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	33-34
Schedule of Findings and Questioned Costs.....	35-36
Schedule of Prior Audit Findings.....	37

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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, 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 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 *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Board as of December 31, 2009, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund, the Community Mental Services State Fund and the Medicaid Mental Health Fund thereof for the year then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis on pages 3 to 11 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, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010 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, 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 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.

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 federal awards expenditures is presented for the 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 as 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.

Charles E. Harris & Associates, Inc.

June 25, 2010

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, 2009
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, 2009. 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, 2009 are as follows:

- Net assets decreased \$(716,642). This was due in part to grant expenditures being slightly less than the prior year in the other governmental funds.
- General receipts accounted for \$2,024,575 in receipts or 21 percent of all receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$7,635,055 or 79 percent of total receipts of \$9,659,631.
- The Board had \$10,376,273 in disbursements related to governmental activities; only \$7,635,056 of these disbursements were offset by program specific grants and contributions. General receipts of \$2,024,575 and the carryover balance were adequate to provide for these programs.
- The Board advanced \$1,184,866 from the General Fund to various Special Revenue Funds to cover deficits. Advances of \$1,057,487 made from the General Fund in CY08 were paid back to the general fund for total Net advances out in CY09 of \$127,379.
- As of the close of 2009, The Board's governmental funds reported combined ending fund balances of \$3,933,388.
- At the close of the 2009, unreserved fund balance was \$2,246,874.
- As of the close of 2009, the Board had cumulated deposit amounts totaling \$3,933,388.

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, 2009
UNAUDITED

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 2009, 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.

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, 2009
UNAUDITED

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.

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, 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 36 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 four major funds. The basic governmental fund financial statements can be found starting on page 12 of this report.

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 2009 compared to 2008.

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, 2009
UNAUDITED

Table 1
Net Assets – Cash Basis

	Governmental Activities	
	2009	2008
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,933,388	\$4,650,030
Net Assets		
Restricted for:		
Budget Stabilization	\$1,686,514	0
Other Purposes	1,106,879	814,941
Capital Outlay	247,167	1,190,255
Unrestricted	892,828	2,644,834
Total Net Assets	\$3,933,388	\$4,650,030

Total assets decreased (\$716,642).

Table 2 shows the changes in net assets for the year ended December 31, 2009. The Board has prepared financial statements following the format prescribed by GASB Statement 34, receipts and disbursement comparison to year 2008 is 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, 2009
UNAUDITED

	Governmental Activities	
	2009	2008
Receipts		
Program Cash Receipts		
Operating Grants and Contributions	\$7,328,782	\$8,445,062
Charges for Services	56,274	56,272
Capital Grants and Contributions	250,000	0
Total Program Cash Receipts	<u>7,635,056</u>	<u>8,501,334</u>
General Receipts		
Property Taxes	1,512,315	1,557,589
Intergovernmental	169,567	166,819
Contributions	280	655
Rent	95,412	55,000
Other Receipts	247,001	73,650
Total General Receipts	<u>2,024,575</u>	<u>1,853,713</u>
Total Receipts	<u>9,659,631</u>	<u>10,355,047</u>
Disbursements		
Environmental Health		
General Government	2,071,960	980,921
Health Services	8,142,980	9,493,991
Employee Benefits	161,333	165,687
Total Disbursements	<u>10,376,273</u>	<u>10,640,599</u>
Change in Net Assets	(716,642)	(285,552)
Net Assets Beginning of Year	<u>4,650,030</u>	<u>4,935,582</u>
Net Assets End of Year	<u><u>\$3,933,388</u></u>	<u><u>\$4,650,030</u></u>

In 2009, 21 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 79 percent of the Board's total receipts in year 2009. In 2008, 18 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 82 percent of the Board's total receipts in year 2008. 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 2008 have been 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, 2009
UNAUDITED

Table 3

Functions/Program	2009 Total Cost of Services	2009 Net Cost of Services
Governmental Activities:		
Health Services	\$8,142,980	\$2,741,217
General Government	2,071,960	0
Employee Benefits	161,333	0
Total Governmental Activities	<u>\$10,376,273</u>	<u>\$2,741,217</u>

Table 3

Functions/Program	2008 Total Cost of Services	2008 Net Cost of Services
Governmental Activities:		
Health Services	\$9,493,992	\$2,139,265
General Government	980,919	0
Employee Benefits	165,688	0
Total Governmental Activities	<u>\$10,640,599</u>	<u>\$2,139,265</u>

The Board's reliance upon intergovernmental revenues, property tax receipts, and other general revenues is apparent as 21 percent of governmental activities are supported through these general receipts for 2009.

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, 2009
UNAUDITED

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 2009, the Board’s governmental funds reported combined ending fund balances of \$3,933,388, a decrease of (\$716,642).

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2009:

	Fund Balance		
	Fund Balance	Restated	Increase
	12/31/2009	12/31/2008	(Decrease)
General	\$2,579,342	\$2,649,479	(\$70,137)
Community Mental Health Fund	0	55,340	(55,340)
Medicaid Mental Health Fund	0	2,879	(2,879)
Capital Projects	247,167	1,190,255	(943,088)
Other Governmental Funds	1,106,879	752,077	354,802
Total	\$3,933,388	\$4,650,030	(\$716,642)

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 2009, The Board amended its general fund budget throughout the year. For the general fund, original budgeted receipts were \$1,697,381 and final budgeted receipts were \$1,709,361. Actual receipts for fiscal year 2009 were \$1,800,597. This represents a \$91,236 increase over final budgeted receipts.

General fund original appropriations (appropriated expenditures) were \$1,697,381 and final budgeted appropriations were \$1,922,554. The actual budget basis expenditures 2009 totaled \$1,743,355, which was \$179,199 less than the final budget appropriations.

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, 2009
UNAUDITED

General fund original appropriations (appropriated expenditures) were \$1,697,381 and final budgeted appropriations were \$1,922,554. The actual budget basis expenditures 2009 totaled \$1,743,355, which was \$179,199 less than the final budget appropriations.

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 at 799 S. Main St, Lima, Ohio in the amount of \$250,000. These funds were received in 2009.

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 have begun in February 2006.

The demand for services is 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.

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, 2009
UNAUDITED

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, 2009**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,933,388</u>
Total Assets	<u>3,933,388</u>
Net Assets	
Restricted for:	
Budget Stabilization	\$ 1,686,514
Other Purposes	1,106,879
Capital Outlay	247,167
Unrestricted	<u>892,828</u>
Total Net Assets	<u>\$ 3,933,388</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, 2009**

Functions/Programs	Disbursements	Program Receipts			Governmental Activities	Net (Disbursements) Receipts & Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Health Services:						
Contract - Services	\$ 8,142,980	\$ 56,274	\$ 5,345,489	\$ -		\$ (2,741,217)
General Government:						
Salaries	337,440	-	337,440	-		-
Advertising and Printing	33,010	-	33,010	-		-
Professional Services	235,373	-	235,373	-		-
Supplies	9,427	-	9,427	-		-
Postage and Shipping	4,220	-	4,220	-		-
Communications	14,304	-	14,304	-		-
Dues	17,242	-	17,242	-		-
Rentals	49,226	-	49,226	-		-
Utilities	15,315	-	15,315	-		-
Maintenance	40,302	-	40,302	-		-
Insurance	17,420	-	17,420	-		-
Travel and Training	29,630	-	29,630	-		-
Buildings/Equipment	1,221,437	-	971,437	250,000		-
Other Exp.	29,532	-	29,532	-		-
Reimbursements	18,082	-	18,082	-		-
Employee Benefits:						
Public Employee's Retirement	81,227	-	81,227	-		-
Health Insurance	67,886	-	67,886	-		-
Life Insurance	1,431	-	1,431	-		-
Medicare	4,878	-	4,878	-		-
Workers' Comp.	5,911	-	5,911	-		-
Total Governmental Activities	\$ 10,376,273	\$ 56,274	\$ 7,328,782	\$ 250,000		\$ (2,741,217)
General Revenues:						
						\$ 1,512,315
						169,567
						280
						95,412
						247,001
						<u>2,024,575</u>
						(716,642)
						<u>4,650,030</u>
						<u>\$ 3,933,388</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, 2009**

	Governmental Funds					Total Governmental Funds
	General	Community Mental Health Services	Medicaid Mental Health	Capital Projects	Other Governmental Funds	
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$ 2,579,342	\$ -	\$ -	\$ 247,167	\$ 1,106,879	\$ 3,933,388
Total Assets	<u>\$ 2,579,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,167</u>	<u>\$ 1,106,879</u>	<u>\$ 3,933,388</u>
LIABILITIES AND FUND BALANCE						
Unreserved:						
Designated for Budget Stabilization	\$ 1,686,514	\$ -	\$ -	\$ -	\$ -	\$ 1,686,514
Undesignated, Reported In:						
General Fund	892,828	-	-	-	-	892,828
Special Revenue Funds	-	-	-	-	1,106,879	1,106,879
Capital Project Fund	-	-	-	247,167	-	247,167
Total Fund Balances	<u>\$ 2,579,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,167</u>	<u>\$ 1,106,879</u>	<u>\$ 3,933,388</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, 2009

	Governmental Funds					Totals (Memorandum Only)
	General	Community Mental Health Services	Medicaid Mental Health	Capital Projects	Other Governmental Funds	
RECEIPTS:						
Taxes	\$ 1,512,315	\$ -	\$ -	\$ -	\$ -	\$ 1,512,315
Grants	20	2,651,376	1,721,424	250,000	2,955,962	7,578,782
Intergovernmental Revenue	169,567	-	-	-	-	169,567
Charges for Services	56,274	-	-	-	-	56,274
Contributions	280	-	-	-	-	280
Rent	-	-	-	-	95,412	95,412
Other	62,141	20,910	-	-	163,950	247,001
Total Cash Receipts	1,800,597	2,672,286	1,721,424	250,000	3,215,324	9,659,631
DISBURSEMENTS:						
Current Operations:						
Health Services:						
Contract - Services	1,453,592	2,390,961	2,033,713	-	2,264,715	8,142,981
General Government:						
Salaries	-	141,425	-	-	196,015	337,440
Advertising and Printing	23,762	5,218	-	-	4,030	33,010
Professional Services	214,602	3,922	-	-	16,849	235,373
Supplies	2,864	1,666	-	-	4,897	9,427
Postage and Shipping	-	910	-	-	3,310	4,220
Communications	4,950	3,523	-	-	5,831	14,304
Dues	1,200	14,377	-	-	1,665	17,242
Rentals	50	17,327	-	-	31,849	49,226
Utilities	-	2,227	-	11,539	1,549	15,315
Maintenance	-	3,352	-	-	36,950	40,302
Insurance	-	15,668	-	-	1,752	17,420
Travel and Training	13,636	6,714	-	-	9,280	29,630
Buildings/Equipment	-	216	-	1,181,549	39,672	1,221,437
Other Exp.	28,699	86	-	-	746	29,531
Reimbursements	-	-	17,573	-	509	18,082
Employee Benefits:						
Public Employee's Retirement	-	33,942	-	-	47,285	81,227
Life Insurance	-	541	-	-	890	1,431
Health Insurance	-	29,557	-	-	38,329	67,886
Medicare	-	2,044	-	-	2,834	4,878
Workers' Comp.	-	-	-	-	5,911	5,911
Total Cash Disbursements	1,743,355	2,673,676	2,051,286	1,193,088	2,714,868	10,376,273
Total Receipts Over/(Under) Disbursements	57,242	(1,390)	(329,862)	(943,088)	500,456	(716,642)
Other Financing Receipts/(Disbursements):						
Advances In	1,057,487	267,560	526,298	-	391,008	2,242,353
Advances (Out)	(1,184,866)	(321,510)	(199,315)	-	(536,662)	(2,242,353)
Total Other Financing Receipts/(Disbursements)	(127,379)	(53,950)	326,983	-	(145,654)	-
Net Change in Fund Balance	(70,137)	(55,340)	(2,879)	(943,088)	354,802	(716,642)
Fund Cash Balances, January 1, 2009, Restated (Note 10)	2,649,479	55,340	2,879	1,190,255	752,077	4,650,030
Fund Cash Balances, December 31, 2009	\$ 2,579,342	\$ -	\$ -	\$ 247,167	\$ 1,106,879	\$ 3,933,388

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts			Variance with
REVENUES:	Original Budget	Final Budget	Actual	Final Budget Over/(Under)
Taxes	\$ 1,469,683	\$ 1,446,872	\$ 1,512,315	\$ 65,443
Grants	-	-	20	20
Intergovernmental Revenue	169,567	169,567	169,567	-
Charges for Services	56,724	56,272	56,274	2
Contributions	1,407	280	280	-
Other	-	36,370	62,141	25,771
Total Cash Receipts	1,697,381	1,709,361	1,800,597	91,236
 DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	1,566,459	1,676,853	1,453,592	223,261
General Government:				
Advertising and Printing	25,744	23,762	23,762	-
Professional Services	70,529	199,102	214,602	(15,500)
Supplies	1,485	2,965	2,864	101
Communications	7,600	4,950	4,950	-
Dues	-	1,200	1,200	-
Rentals	-	50	50	-
Maintenance	120	-	-	-
Travel and Training	25,444	13,636	13,636	-
Other Exp.	-	36	28,699	(28,663)
Total Cash Disbursements	1,697,381	1,922,554	1,743,355	179,199
Total Receipts Over/(Under) Disbursements	-	(213,193)	57,242	(87,963)
 Other Financing Receipts/(Disbursements):				
Advances In	-	-	1,057,487	1,057,487
Advances (Out)	-	-	(1,184,866)	(1,184,866)
Total Other Financing Receipts/(Disbursements)	-	-	(127,379)	(127,379)
Net Change in Fund Balance	-	(213,193)	(70,137)	143,056
Fund Cash Balances, January 1, 2009, Retated (Note 10)	2,649,479	2,649,479	2,649,479	-
Fund Cash Balances, December 31, 2009	\$ 2,649,479	\$ 2,436,286	\$ 2,579,342	\$ 143,056

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
COMMUNITY MENTAL HEALTH SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts			
REVENUES:	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Grants	\$ 2,888,993	\$ 2,694,231	\$ 2,651,376	\$ (42,855)
Other	-	19,620	20,910	1,290
Total Cash Receipts	2,888,993	2,713,851	2,672,286	(41,565)
 DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	2,865,260	2,374,288	2,390,961	(16,673)
General Government:				
Salaries	-	195,751	141,425	54,326
Advertising and Printing	-	6,819	5,218	1,601
Professional Services	23,733	4,332	3,922	410
Supplies	-	1,816	1,666	150
Postage and Shipping	-	910	910	-
Communications	-	4,223	3,523	700
Dues	-	14,487	14,377	110
Rentals	-	21,527	17,327	4,200
Utilities	-	2,427	2,227	200
Maintenance	-	4,152	3,352	800
Insurance	-	15,668	15,668	-
Travel and Training	-	8,214	6,714	1,500
Buildings/Equipment	-	216	216	-
Other Exp.	-	87	86	1
Employee Benefits:				
Public Employee's Retirement	-	-	33,942	(33,942)
Life Insurance	-	-	541	(541)
Health Insurance	-	-	29,557	(29,557)
Medicare	-	-	2,044	(2,044)
Total Cash Disbursements	2,888,993	2,654,917	2,673,676	(18,759)
Total Receipts Over/(Under) Disbursements	-	58,934	(1,390)	(22,806)
 Other Financing Receipts/(Disbursements):				
Advances In	-	-	267,560	267,560
Advances (Out)	-	-	(321,510)	(321,510)
Total Other Financing Receipts/(Disbursements)	-	-	(53,950)	(53,950)
Net Change in Fund Balance	-	58,934	(55,340)	(114,274)
Fund Cash Balances, January 1, 2009, Restated (Note 10)	55,340	55,340	55,340	-
Fund Cash Balances, December 31, 2009	\$ 55,340	\$ 114,274	\$ -	\$ (114,274)

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MEDICAID MENTAL HEALTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts			
REVENUES:	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Grants	\$ 1,763,943	\$ 2,117,170	\$ 1,721,424	\$ (395,746)
Total Cash Receipts	1,763,943	2,117,170	1,721,424	(395,746)
DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	1,746,801	2,012,789	2,033,713	(20,924)
General Government:				
Reimbursements	17,142	17,573	17,573	-
Total Cash Disbursements	1,763,943	2,030,362	2,051,286	(20,924)
Total Receipts Over/(Under) Disbursements	-	86,808	(329,862)	(374,822)
Other Financing Receipts/(Disbursements):				
Advances In	-	-	526,298	526,298
Advances (Out)	-	-	(199,315)	(199,315)
Total Other Financing Receipts/(Disbursements)	-	-	326,983	326,983
Net Change in Fund Balance	-	86,808	(2,879)	(89,687)
Fund Cash Balances, January 1, 2009	2,879	2,879	2,879	-
Fund Cash Balances, December 31, 2009	\$ 2,879	\$ 89,687	\$ -	\$ (89,687)

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, 2009

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 included within the Allen County Annual Financial Report as an agency fund.

The Board is directed by a sixteen-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.

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, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

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.

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.

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.

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 one category: governmental.

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 AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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

Capital Projects Fund – Used to account for receipts that are restricted for the acquisition or construction of major capital projects.

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

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 is the fund level.

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, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

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

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.

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, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Balance Reserves and 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. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. A fund balance designation has been established for budget stabilization.

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

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. 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, 2008, was \$3,933,388.

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, 2009

4. 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 personal property tax received in 2009 represent the collection of 2008 taxes. Public utility tangible personal property taxes received in 2009 became a lien on December 31, 2007, were levied after October 1, 2008, and are collected in 2009 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 2009 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008, on the true value as of December 31, 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent and will be reduced to zero for 2009.

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, 2009, was .50 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	Allen	Auglaize	Hardin
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,757,630,235	\$824,578,260	\$440,201,770
Public Utilities	86,569,560	259,820	580,550
Tangible Personal Property	377,434,053	131,724,477	72,415,266
Total Assessed Value	<u>\$2,221,633,848</u>	<u>\$956,862,557</u>	<u>\$513,197,586</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, 2009

5. INTERFUND BALANCES

Interfund cash advances at December 31, 2009, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,184,866	\$ -
Community Mental Health Fund	-	267,560
Medicaid Mental Health Fund	-	526,298
Other Governmental Funds	<u>-</u>	<u>391,008</u>
Total Interfund Receivables/Payables	<u>\$ 1,184,866</u>	<u>\$1,184,866</u>

6. 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.

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The Board contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost sharing, multiple-employer public employee retirement system. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries through three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under this plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the

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, 2009

Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under this plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees (OPERS Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-466-2085 or 1-800-222-PERS (7377).

Funding Policy

Plan members are required to contribute a percentage of their annual covered salary (10% in 2009 and 2008), and the Board is required to contribute an actuarially determined rate. The employer contribution rates were 14% for 2009 and 2008, and 13.85% for 2007 of annual covered payroll. The contribution requirements of plan members and the Board are established and may be amended by the OPERS Board. The Board's contributions to OPERS for the years ended December 31, 2009 and 2008 were \$81,228 and \$81,628, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

8. POSTEMPLOYMENT BENEFITS

OPERS also provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. As required by state statute, a portion of each employer's contribution to OPERS (see note 7) is set aside for the funding of post-retirement health care. The contribution rate of 14% for the years ended December 31, 2009 and 2008, respectively, included a portion (7% for January – March and 5.5% for April – December 2009 and 7% for 2008) that was used to fund healthcare. The Authority's contributions for post-employment benefits were \$33,303 and \$40,814 for the years ended December 31, 2009 and 2008, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased on January 1, 2006, 2007 and 2008, which allowed additional funds to be allocated to the health care plan.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of assumptions for pension plan and other post-employment benefits

Actuarial Review – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2008.

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, 2009

Funding Method – The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of the unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2008 was 6.5%.

Active Employee Total Payroll – An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 3% for the next 6 years. In subsequent years (7 and beyond), health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension Plan and Combined Plans at December 31, 2008 was 356,388. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2008 was \$10.7 billion. The actuarially accrued liability and the unfunded actuarially accrued liability at December 31, 2008, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively.

9. 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.

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, 2009

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 two months of the total operating budget (2/12). This percentage is then converted to a dollar amount for the current operating year identifying a minimum level. At December 31, 2009 the Board had designated \$1,686,514 for possible future financial shortfalls.

10. PRIOR PERIOD FUND ADJUSTMENT

The Board had a prior period fund balance adjustment to the following funds:

Fund	Fund Balance 12/31/2009	Prior Period Adjustment	Fund Balance, Restated 1/1/2009
General Fund	\$2,644,834	\$ 4,645	\$ 2,649,479
Community Mental Health Services	60,149	(4,809)	55,340
Other Governmental Funds	751,913	164	752,077

Adjustments necessary due to mis-postings between funds that were discovered after the 2008 audit was completed.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

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-09	\$ 70,373	\$ 107,804
	93.958	01-BG01PLAN-10	68,193	38,331
Total Block Grants for Community Mental Health Services			138,566	146,135
FAST	93.556	FY 09	66,869	45,055
Early Childhood Mental Health	93.590	FY 09	15,618	11,486
	93.590	FY 10	-	11,525
Total Early Childhood Mental Health			15,618	23,011
Social Services Block Grant-Title XX	93.667	FY 09	101,403	67,602
	93.667	FY 10	33,431	67,232
Total Social Services Block Grant-Title XX			134,834	134,834
PASSAR	93.778	FY 09	6,000	2,800
	93.778	FY 10	400	400
Medical Assistance Program	93.778	FY 09	958,748	1,328,518
	93.778	FY 10	762,676	722,766
Medical Assistance Program - EFMAP	93.778	FY 09	94,307	-
	93.778	FY 10	182,091	-
State Childrens Insurance Program	93.767	FY 09	-	65,947
	93.767	FY 10	-	24,875
Total Medical Assistance Program			2,004,222	2,145,306
Passed Through Ohio Depart of Alcohol and Drug Addiction Services:				
Substance Abuse Prevention and Treatment Block Grant				
Federal Per Capita	93.959	01-BGD-FY09	369,372	237,478
	93.959	01-BGD-FY10	280,634	323,091
Women's Treatment	93.959	FY 09	6,083	6,083
	93.959	FY 10	7,495	17,654
Prevention Services	93.959	FY 09	18,923	18,506
	93.959	FY 10	2,562	14,112
UMADAOP	93.959	0205004-00-UMP-09	111,174	39,017
	93.959	0205004-00-UMP-10	75,491	113,237
Total Substance Abuse Prevention and Treatment Block Grant			871,734	769,178
Medical Assistance Program	93.778	FY 09	93,586	163,513
	93.778	FY 10	128,851	70,436
Medical Assistance Program - EFMAP	93.778	FY 10	25,496	-
State Childrens Insurance Program	93.767	FY 09	-	31,030
	93.767	FY 10	-	21,755
Total Medical Assistance Program			247,933	286,734
Total Federal Assistance - U.S. Department of Health and Human Services			\$ 3,479,776	\$ 3,550,253

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, 2009**

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 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.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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, Allen County (the Board) as of and for the year ended December 31, 2009, and have issued our report thereon dated June 25, 2010, wherein we noted the Board followed the cash basis of accounting, a comprehensive accounting 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 Controls 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 opining on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented or detected and timely corrected.

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 material weaknesses, as defined above.

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, grants agreements and other matters, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management and the Board in a separate letter dated June 25, 2010.

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

Charles E. Harris & Associates, Inc.

June 25, 2010

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND 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, Allen County, (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, 2009. 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 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 on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program 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 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, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that the Board's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A *material weakness* is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that the Board's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 finance committee, management, the Board of Trustees, and federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

June 25, 2010

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY
December 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA # 93.778 - Medical Assistance Program
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY
December 31, 2009**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-1	Ohio Rev. Code Section 5705.36	Yes	The board did request reduced amended certificate of receipts along with reduced appropriations when necessary.
2008-2	Ohio Rev. Code Section 5705.10	Yes	The Board did not have negative fund cash balances.



Mary Taylor, CPA
Auditor of State

**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
SEPTEMBER 30, 2010**