

MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY

FINANCIAL STATEMENTS
AUDITED

June 30, 2010



Dave Yost • Auditor of State

Members of the Board
Mental Health and Recovery Board of Wayne and Holmes Counties
1915 W Market Street, Suite 900
Akron, Ohio 44313

We have reviewed the *Report of Independent Auditors* of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, prepared by Linc, Malachin, Dennis & Dimengo, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Board of Wayne and Holmes Counties is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 25, 2011

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**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

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REPORT OF INDEPENDENT AUDITORS

Mental Health and Recovery Board of Wayne and Holmes Counties
Wayne County
1985 Eagle Pass
Wooster, Ohio 44691

To Members of the Board:

We have audited the accompanying financial statements of governmental activities, the major fund, and the aggregate remaining fund information of the Mental Health and Recovery Board of Wayne and Holmes Counties, Ohio (the Board), as of and for the year ended June 30, 2010, 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 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 financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Mental Health & Recovery Board of Wayne & Holmes Counties, Ohio as of June 30, 2010, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on 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.

Mental Health and Recovery Board of
Wayne and Holmes Counties
Wayne County
Report of Independent Auditors
Page 2

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 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.

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 Receipts and Expenditures of Federal Awards for the year ended June 30, 2010, is presented for purposes of additional analysis as required by US Office of Management and Budget's, *OMB Circular A-133 Audits of State, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements of the Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Linc, Malachin, Dennis & Dimengo, Inc.

Linc, Malachin, Dennis & Dimengo, Inc.

December 20, 2010

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of the Mental Health and Recovery Board of Wayne and Holmes Counties (hereinafter referred to as "the Board") financial performance provides an overall review of the Board's financial activities for the year ended June 30, 2010, within the limitations of the Board's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

Financial Highlights

Key highlights for 2010 are as follows:

- Net assets of governmental activities increased \$714,965 or 37 percent, a significant change from the prior year where net assets decreased by \$199,495.
- As a consequence of the increase in net assets, the Board's fund balance increased from \$1,928,182 to \$2,643,147.
- The Board's general receipts are primarily real estate taxes, state and federal funds from the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS).
- Excluding activities associated with serving as administrative agent for the FCFC that are segregated in a separate fund, the Board had total receipts of \$10,303,204 and expenditures of \$9,472,533 (\$9,588,239 less FCFC of \$115,706). Cash receipts decreased by approximately \$1,200,000 from the previous year due to significant cuts in funding from ODMH and ODADAS, while expenditures decreased by over \$2,000,000 as a result of system budget reductions due to the decreased availability of funds.

Using the Basic 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.

Report Components

The Statement of net assets and the statement of activities provide information about the cash activities of the Board as a whole.

The notes to the financial statements are an integral part of the government-wide financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Basic Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. For fiscal year 2010, the Board has elected to present its financial statements on a cash basis of accounting. This change was made primarily to more accurately reflect the annual collections of real estate and associated taxes and the corresponding expenses. The basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Government's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 Government as a Whole

The Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, Ohio plans, funds, and evaluates mental health, drug addiction and community services to the residents of the two counties. The Board is a local alcohol, drug addiction and mental health district as defined by Section 340.02, Ohio Revised Code.

The statement of net assets and the statement of activities reflect how the Board did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the Board at year-end. The statement of activities compares cash disbursements with program receipts for each program. Cash receipts include real estate taxes, state and federal grants which are used to pay providers for contract services and administrative costs of the Board.

The comparison of cash disbursements with program receipts identifies how each governmental program is self-financing or draws from the general receipts of the Board.

These statements report the Board's cash position and the changes in cash position. Keeping 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 Government's financial health is improving or deteriorating. When evaluating the Board's financial health one should also consider other nonfinancial factors as well such as the Board's property tax base condition, the reliance on state and federal resources to fund services and operations and the need for continued growth in the major local revenue sources such as property taxes.

The statement of net asset reports Governmental activities. The Board's basic services and funding activities are reported here. State and federal grants and property taxes finance these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Board's major funds. 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.

Governmental Funds – Most of the Board's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Board's governmental operations and the basic 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 programs. The Government's significant governmental funds are presented on the financial statements in separate columns.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Board. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Board's programs.

The Government as a Whole

Table 1 provides a summary of the Board's Net Assets for the Fiscal Year 2010 compared to Fiscal Year 2009 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>FY 2010</u>	<u>FY 2009</u>
Assets		
Cash with Fiscal Agent	\$ <u>2,643,147</u>	\$ <u>1,928,182</u>
Total Assets	\$ <u>2,643,147</u>	\$ <u>1,928,182</u>
Net Assets		
Unrestricted	\$ <u>2,643,147</u>	\$ <u>1,928,182</u>
Total Net Assets	\$ <u>2,643,147</u>	\$ <u>1,928,182</u>

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

As mentioned previously, net assets of governmental activities increased \$714,965 during FY2010. The primary reasons contributing to the increases in cash balances are as follows:

- Cash receipts include \$451,680 in ODMH Stimulus funding and \$57,545 in ODADAS stimulus funding. These additional funds were used to provide mental health and alcohol and drug services respectively.
- In response to the reduction in funding, in FY2010 the system of care budgeted a significant decrease in expenditures along with consolidated programming when appropriate to create efficiencies.

Table 2 reflects the changes in net assets on a cash basis in FY2010 and FY2009 for governmental activities:

(Table 2)
Activities

	Activities	
	FY 2010	FY 2009
Receipts:		
Revenue Receipts:		
Real Estate Taxes	\$ 2,780,582	\$ 2,566,075
Federal Funds – Other	203,639	263,795
Federal Funds – Medicaid	2,222,104	2,260,473
Federal Funds – ODMH Stimulus	451,680	-
Federal Funds – AOD	764,000	847,166
Federal Funds – Byrne Stimulus	22,231	-
Federal Funds – AOD Medicaid	361,598	546,262
Federal Funds – ODADAS Stimulus	57,544	-
ODMH Revenue	2,379,641	3,502,364
ODADAS Revenue	372,370	468,765
Total Revenue Receipts	9,615,389	10,454,900
Non-Revenue Receipts		
Levy Rollback Revenue	287,922	191,141
Other Non-Revenue	399,893	916,521
Total Non-Revenue Receipts	687,815	1,107,662
Total Receipts	\$10,303,204	\$ 11,562,562

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

(Table 2)
Activities (Continued)

Expenditures:		
Salaries	381,998	457,832
Medicare	4,519	5,194
OPERS	63,146	71,593
Workers Compensation	38,485	64,849
Unemployment	-	2,110
Equipment	-	4,990
Consultants	106,705	87,662
Contract Services	8,850,419	10,901,115
Miscellaneous	<u>142,967</u>	<u>166,714</u>
 Total Disbursements	 <u>\$9,588,239</u>	 <u>\$ 11,762,059</u>
 Increase (Decrease) in Net Assets	 714,965	 (199,497)
 Net Assets, July 1	 <u>1,928,182</u>	 <u>2,127,679</u>
Net Assets, June 30	<u>\$2,643,147</u>	<u>\$ 1,928,182</u>

General Revenue Receipts represent 93 percent of the Board's total receipts, and of this amount, 27 percent are local taxes. State and federal grants and entitlements make up the balance of the Board's General Revenue receipts. Other receipts include Tax Rollback Revenue from the state and contributions from other grants and community partners.

As was stated earlier in the analysis, ODMH Revenue and ODADAS revenue decreased \$1.2 million and \$90,000 respectively from FY09 to FY10 due to a decrease in funding from the State of Ohio.

There were increases in the Stimulus funding which helped to offset the original budgeted deficits.

Expenditures represent the overhead costs of running the Board and the payments to providers of community and inpatient mental health and AOD services. Contract Services paid to providers reflect the impact on the system wide budget reductions in response to the decreases from the state.

Board's Funds and Accounting System

The Board maintains two funds with the Wayne County Auditor, who serves as the Board's fiscal agent. One of these funds is used for the Board's general operations. The other is a fiduciary fund that is used to segregate the finances of the Wayne County Family and Children

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Board's Funds and Accounting System (Continued)

First Council, for which the Board is the designated administrative agent. The Board internally uses Quick Books accounting software, along with a number of subsidiary ledgers and spreadsheets, to track the various special awards and allocations for which it is responsible. For the Board itself, taking into account both ODMH and ODADAS, there are approximately 30 separate funding streams that must be accounted for in some fashion, along with our levy and other local funds. The FCFC adds an additional 10 or so revenue categories to this total.

Budgetary Information

The Board's official budgeting process is prescribed by the Ohio Revised Code (ORC). Wayne County is the Board's designated fiscal agent and the Board's budgeting and accounting systems are tied to those of Wayne County. As a part of this, Board appropriations are restricted by the amounts of anticipated revenues certified by the County Budget Commission and any mid-year budget revisions must be approved through a similar process (i.e., the Board may not encumber or spend funds above the amount which has been certified as being available to appropriate). Consequently, it may not be possible for the Board's plans or desires to be completed reflected in the original budget submitted to and approved by the County.

For FY09, actual revenue aligned closely with REVISED FEBRUARY 2009 budget (accrual) projections, and expenses were slightly under budget due to cutbacks at year-end as summarized on Page 21 of the Audit report.

For FY10, actual revenue and expenditures were reduced from the original budget amount due to reduction in funding and reductions in budgeted allocations.

Capital Assets and Debt Administration

The Board owns no land or buildings, with its capital assets consisting solely of office equipment, the net value (i.e., purchase price less accumulated depreciation) of which was \$24,345 as of June 30, 2010 and \$30,396 as of June 30, 2009.

The Board did not have any outstanding debt as of June 30, 2010 or 2009.

Current Issues

As of FY 10, reduced allocations from the State of Ohio, ODMH and ODADAS, became a reality. Originally, the system faced \$1,269,906 in funding reductions. Stimulus funds provided some budget relief but in order to balance the already reduced budgets, the

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Current Issues (Continued)

Agencies and Board reduced their allocations a total of \$638,463. This brought total cuts to the system to \$1,054,081 for FY09 and FY10 alone.

FY11, the second year in the state biennium, the system budgets were flat in order for the agencies and the board to adjust programming to the reduced level of funding. Some additional funding was received from the state which will give the system limited stability in facing the FY12 state budget process. The State of Ohio is currently predicting an eight billion dollar budget deficit. Meetings are underway with the departments and administrations at the state but there is little doubt this will result in significant funding reductions to the mental health, alcohol, and drug line items.

We are also looking to FY13 and the implementation of Health Care Reform. The challenges are great and maintaining reasonable levels of basic services in place for the citizens of Wayne and Holmes counties while meeting the increase demand for services will continue to be exceedingly difficult in the upcoming years.

Contracting the Board's Financial Management

This report is designed to provide all interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the funds it receives and administers. If you have questions about this report or need additional information, please contact Ms. Rose Love, Director of Business Operations, Mental Health & Recovery Board of Wayne and Holmes Counties, 1985 Eagle Pass, Wooster, Ohio 44691.

**MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
WAYNE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010**

	<u>Primary Government Governmental Activities</u>
Assets	
Cash with Fiscal Agent	<u>2,643,147</u>
Total Assets	<u>\$ 2,643,147</u>
Net Assets	
Unrestricted	<u>2,643,147</u>
Total Net Assets	<u>\$ 2,643,147</u>

See accompanying notes.

**MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
WAYNE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Disbursements</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities			
Social Services:			
Contract Services	8,850,419	6,834,807	(2,015,612)
General Government:			
Salaries	381,998	-	(381,998)
Medicare	4,519	-	(4,519)
OPERS	63,146	-	(63,146)
Fringe Benefits	38,485	-	(38,485)
Consultants	106,705	-	(106,705)
Miscellaneous	142,967	-	(142,967)
	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities	<u>\$ 9,588,239</u>	<u>\$ 6,834,807</u>	<u>\$ (2,753,432)</u>
 General Receipts			
Property Taxes Levied for			
General Health District Purposes			3,068,504
Miscellaneous			399,893
			<u> </u>
Total General Revenues			<u>3,468,397</u>
 Changes in Net Assets			714,965
Net Assets Beginning of Year			<u>1,928,182</u>
Net Assets End of Year			<u>\$ 2,643,147</u>

See accompanying notes.

**MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
WAYNE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund
Assets	
Cash with Fiscal Agent	2,643,147
Total Assets	\$ 2,643,147
 Fund Balances	
Reserved:	
Reserved for Encumbrances	1,067,795
Unreserved:	
Designated Reported in:	
General Fund	
Salary Reserve	40,679
Hospital Reserve	300,917
Family and Children First Council Admin Reserve	25,603
Undesignated, Reported in:	
General Fund	1,208,153
Total Fund Balances	\$ 2,643,147

See accompanying notes

**MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2010**

	General Fund
Receipts	
Property Tax	3,068,504
Government Grants	6,834,807
Miscellaneous	399,893
Total Receipts	10,303,204
Disbursements	
Current:	
Social Services:	
Contract Services	8,850,419
General Government:	
Salaries	381,998
Medicare	4,519
OPERS	63,146
Fringe Benefits	38,485
Consultants	106,705
Miscellaneous	142,967
Total Disbursements	9,588,239
Excess of Receipts Over Disbursements	714,965
Fund Balances Beginning of Year	1,928,182
Fund Balances End of Year	\$ 2,643,147

See accompanying notes to the basic financial statements

**MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
WAYNE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCES
GENERAL FUND BUDGET AND ACTUAL - BUDGET BASIS
FOR YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenue				
Property Taxes	2,966,535	2,703,800	3,068,504	364,704
Government Grants	8,241,022	7,228,800	6,834,807	(393,993)
Miscellaneous	<u>370,604</u>	<u>370,604</u>	<u>399,893</u>	<u>29,289</u>
Total Receipts	<u>\$ 11,578,161</u>	<u>\$ 10,303,204</u>	<u>\$ 10,303,204</u>	<u>\$ -</u>
Disbursements				
Current:				
Social Services:				
Contract Services	11,542,383	11,277,383	9,836,367	1,441,016
General Government:				
Salaries	455,031	455,031	381,999	73,032
Fringe Benefits	139,627	139,627	127,671	11,956
Equipment Purchases	10,000	10,000	-	10,000
Consultants / Professional	129,907	129,907	123,862	6,045
Miscellaneous	<u>217,641</u>	<u>217,641</u>	<u>186,135</u>	<u>31,506</u>
Total Disbursements	<u>\$ 12,494,589</u>	<u>\$ 12,229,589</u>	<u>\$ 10,656,034</u>	<u>\$ 1,573,555</u>
Excess of Receipts Over Disbursements	(916,428)	(1,926,385)	(352,830)	(1,573,555)
Fund Balances Beginning of Year	1,011,754	1,011,754	1,011,754	-
Prior Year Encumbrances Appropriated	<u>916,428</u>	<u>916,428</u>	<u>916,428</u>	<u>-</u>
Fund Balances End of Year	<u>\$ 1,011,754</u>	<u>\$ 1,797</u>	<u>\$ 1,575,352</u>	<u>\$ (1,573,555)</u>

See accompanying notes

**MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
WAYNE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
IN CASH BASIS FUND BALANCES
JUNE 30, 2010**

	<u>Family & Children First Council Agency Fund</u>
Assets	
Cash with Fiscal Agents	<u>961,146</u>
Total Assets	<u>\$ 961,146</u>
Net Assets	
Unrestricted	<u>\$ 961,146</u>

See accompanying notes

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – REPORTING ENTITY

The Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, Ohio, (the Board) serves the Wayne and Holmes County areas. The Board primarily provides mental health, drug addiction, alcohol, and community services to the residents of the two counties. These services are provided primarily through contracts with not-for-profit agencies. The Board is a local alcohol, drug addiction and mental health district as defined by Section 340.01, Ohio Revised Code.

The Board Members' composition are citizens appointed as follows:

- a. Seven (7) by the Wayne County Commissioners
- b. Three (3) by the Holmes County Commissioners
- c. Four (4) by the Director of the Ohio Department of Mental Health
- d. Four (4) by the Director of the Ohio Department of the Alcohol and Drug Addiction Services

A. Primary Government

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Board are not misleading.

The primary government of the Board consists of all funds, departments, board, and agencies that are not legally separate from the Board.

B. Components Unit

Components 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; or the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization. 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. No separate governmental units meet the criteria for inclusion as a component unit.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – REPORTING ENTITY (Continued)

The Board's management believes these basic 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. C, these financial statements are presented on a cash basis of accounting. 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. Following are the more significant of the Board's accounting policies.

A. Basis of Presentation

The Board basic financial statements consist of government-wide financial statements, including a statement of net assets-cash basis and a statement of activities-cash basis, and cash basis 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, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

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 and program receipts for each program or function of the Boards 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 receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Board, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Board.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fund Financial Statements

During the year, the Health District segregates transactions related to certain Board functions or activities in separate funds in order 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

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:

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

Agency funds are purely custodial in nature and are used to account for assets held by the Board. The Board had the following significant Agency Funds:

Wayne County Family and Children First Council Agency Fund (The Council)

The operation of the Council is controlled by an Oversight Committee. The Mental Health Recovery Board's Executive Director serves on the Executive Council. The Mental Health Recovery Board also serves as the administrative agent for the Council.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds (Continued)

Additional information regarding the Council's activities can be obtained by reading the Council's audited financial statements.

C. Basis of Accounting

The Health District'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 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 liabilities and their related expenses) are not recorded in these financial statements.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash

As required by Ohio Revised Code, the Wayne County Treasurer is custodian for the Board's cash. The Board's cash is held in Wayne County's cash and investment pool and is valued at the Wayne County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County by contacting Beverly Shaw, Wayne County Treasurer, 428 West Liberty Street, Wooster, Ohio 44691.

F. Restricted 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 law of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Capital Assets

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

H. 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.

I. 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 Note 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Fund Balance Reserves

The Board reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Economic Dependency

The Mental Health and Recovery Board receives approximately 30% of its annual budget from the District Tax Levy, 23% from the Ohio Department of Mental Health – State Funds, 4% from the Ohio Department of Alcohol and Drug Addiction Services – State Funds, 27% from the Ohio Department of Mental Health – Federal Funds, and 12% from the Ohio Department of Alcohol and Drug Addiction Services – Federal Funds. The amounts received are based on an annual determination by each funding source. Any significant decrease in the annual funding would significantly affect budgeted operations.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Board reported fund financial statements by fund type using the basis of accounting principles generally accepted in the United States of America (GAAP). This year the Board has implemented the cash basis of accounting described in Note 2.

The transition from the GAAP basis of accounting to the cash basis of accounting generated the following changes to fund balance/equity as previously reported at June 30, 2009. The calculation of net assets of governmental activities a June 30, 2009 is also presented.

	<u>Mental Health and Recovery Fund</u>	<u>Governmental Activities</u>
Fund Balance June 30, 2009	\$ 2,645,282	\$ 2,604,085
Receivables	(3,544,526)	(3,544,526)
Expenses	(17,570)	(17,570)
Accounts Payables	1,272,934	1,272,934
Unearned Revenue	1,557,053	1,557,053
Accrued Expenses (Short Term)	15,009	15,009
Adjusted Fund Balance June 30, 2009	<u>\$ 1,928,182</u>	<u>\$ 1,886,985</u>
 Government-Wide Financial Statement		
Adjustments:		
Capital Assets		(28,290)
Accrued Expenses (Long-Term)		<u>69,487</u>
Governmental Activities		
Net Assets June 30, 2009		<u>\$ 1,928,182</u>

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Levy Rollback. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

NOTE 5 – RISK MANAGEMENT

Several contract agencies of the MHRB sublease the office space. The sub-lessees pay the MHRB the prescribed rent, plus a pro rata share of the utilities, insurance and taxes. The MHRB has increased its base level of annual financial support of the subleases in order to compensate the agencies for additional costs associated with occupying the Millersburg office space.

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability (including professional liability and bonding)
- Leased vehicles
- Errors and omissions

The Board also provides health insurance and dental coverage to full-time employees through a Council of Governments (COG) which contracts with a private carrier.

NOTE 6 – DEFINED BENEFIT PENSIONS PLANS

The Board's employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits to participants as prescribed by the Ohio Revised Code.

OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan—a cost-sharing multiple-employer defined benefit pension plan.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – DEFINED BENEFIT PENSIONS PLANS (Continued)

2. 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 the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan—a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension 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.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to Attn: Finance Director, OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal year ended June 30, 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The fiscal year ended June 30, 2010, contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%.

The fiscal year ended June 30, 2010 employer contribution rate for state and local employers was 14.0% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate was 17.63%.

Employer contributions rates are expressed as a percentage of the covered payroll of active members, and contribution rates are prescribed by the Ohio Revised Code. The Board's required contributions rates for employers under the local classification were 14.00% of participants' gross salaries from July 1, 2009 through June 30, 2010. In addition, the Board pays 3.0% of the members share for July 1, 2009 through June 30, 2010. The Board has paid all contributions required through June 30, 2010.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – DEFINED BENEFIT PENSIONS PLANS (Continued)

The Board's required contributions to OPERS for the fiscal periods ended June 30, 2010, was as follows:

June 30, 2010 (fiscal year, Cash basis)	\$ 63,146
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Other Post Employment Benefits

OPERS administers three separate other post retirement benefit plans:

1. Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension Plan:
2. Member-Directed Plan—a defined contribution plan
3. Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-saving multiple-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 healthcare coverage.

In order to qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – DEFINED BENEFIT PENSIONS PLANS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ended June 30, 2010, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed a 17.63%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated 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 7.00% from January 1 through March 31, 2009 and 5.5% from April through December 31 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Board's contribution actually made to fund other post-employment benefits was \$31,573 for the fiscal year ended June 30, 2010 respectively.

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 on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

The portion of the Board's employer contributions used to fund post-employment benefits can be approximated by multiplying actual employer contributions by 0.5 for July 1, 2009 through June 30, 2010 for local government employers.

NOTE 7 – LEASES

The Organization leases office space under an operating lease agreement entered into July 1, 2006, for \$23,064 annually. The lease is renewable by the Board annually for five years. After the initial five year period, the lease is then renewable for five additional annual renewals

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 – LEASES (Continued)

for a one-time 5% increase. Rental expense under the operating lease agreement amounted to \$23,064 for the fiscal year ended June 30, 2010.

The MHRB entered into an agreement to lease space in Millersburg, Ohio. The initial lease term began in July of 2004, and provided for annual rental of \$22,289, plus insurance and taxes. The lease contains a renewal option for nine additional and consecutive one-year terms at the same rate.

NOTE 8 – CONTINGENT LIABILITIES

Amounts received from grantor agencies (primarily ODADAS and ODMH) are subject to audit and adjustment by the grantor, principally the federal government. The Board's grantee (sub-recipient) agencies are required to have an annual independent audit. The Board requires each grantee agency to submit a copy of the audit reports. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs from the grantee agency. The Board generally has the right of recovery from the grantee agencies. Amounts that may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>(Passed Through the Ohio Department of Public Safety)</i>				
Edward Byrne Justice Assistance Grant - ARRA	16.803		\$ 22,231	\$ -
Total - U.S. Department of Justice			\$ 22,231	\$ -
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)</i>				
Safe and Drug Free Schools and Community State Grant	84.186	85-02476-00-DFSCA-P-06-9109	\$ 35,000	\$ 29,167
Total - U.S. Department of Education			\$ 35,000	\$ 29,167
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)</i>				
Medical Assistance Program	93.778	NONE	\$ 362,151	\$ 362,151
ARRA - Medical Assistance Program (Recovery Act Funded)	93.778	NONE	\$ 57,544	\$ 57,544
<i>(Passed Through the Ohio Department of Mental Health)</i>				
Medical Assistance Program	93.778	NONE	\$2,079,182	\$2,079,182
ARRA - Medical Assistance Program (Recovery Act Funded)	93.778	NONE	\$ 451,680	\$ 451,680
Total Medical Assistance Program			\$2,950,557	\$2,950,557
<i>(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)</i>				
Block Grant for Prevention and Treatment of Substance Abuse	93.959	85-02476-00-CMMCO-P-08-0032 85-01536-00-PAWPP-08-0204 85-02289-00-Women-T-08-8997 85-01536-00-YMENT-P-08-0017	\$ 764,000	\$ 718,509
<i>(Passed Through the Ohio Department of Mental Health)</i>				
Block Grant for Community Mental Health Services	93.958	NONE	\$ 101,551	\$ 101,551
Childrens Health Insurance Program	93.767	NONE	\$ 126,114	\$ 126,114
STAR-SI	93.243	NONE	\$ 6,172	\$ 6,096
Social Services Block Grant	93.667	NONE	\$ 102,088	\$ 102,088
Total - U.S. Dept of Health & Human Services			\$4,050,482	\$4,004,915
Total			\$4,107,713	\$4,034,082

**** Under the arrangement in place during this audit period, 100% of payments in the Medicaid & SCHIP programs were made with advances from non-federal sources. Consequently, on the cash basis by which this schedule was prepared, all Medicaid & SCHIP funds are considered to be expended.

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND
EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

The Board passes-through certain Federal assistance received from the United States Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). 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 Federal Circular A-133, the Board is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C – MATCHING REQUIREMENTS

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



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**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**

Mental Health and Recovery Board of Wayne and Holmes Counties
Wayne County
1985 Eagle Pass
Wooster, Ohio 44691

To Members of the Board:

We have audited the accompanying financial statement of the governmental activities, the major fund, and the aggregate remaining fund information of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, Ohio, (the Board), as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated December 20, 2010, wherein we noted the Board prepares its financial statements on the cash basis, which is a comprehensive basis of accounting 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 opinion 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 misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable probability, that results in more than a remote likelihood that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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.

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Members of the Board, 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.

Linc, Malachin, Dennis & Dimengo, Inc.

Linc, Malachin, Dennis & Dimengo, Inc.
Akron, Ohio

December 20, 2010



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mental Health and Recovery Board of Wayne and Holmes Counties
Wayne County
1985 Eagle Pass
Wooster, Ohio 44691

To Members of the Board:

Compliance

We have audited the compliance of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, Ohio, (the Board), with the types of compliance requirements described in the (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2010. 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 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. 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 could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

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

to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purposes 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.

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 the 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 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 for the information and use of the audit committee, management, the Members of the Board, 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.

Linc, Malachin, Dennis & Dimengo, Inc.

Linc, Malachin, Dennis & Dimengo, Inc.
Akron, Ohio

December 20, 2010

**MENTAL HEALTH AND RECOVERY BOARD
OF WAYNE AND HOLMES COUNTIES
WAYNE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
June 30, 2010**

1. SUMMARY OF AUDITORS' RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies in internal control for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under § .510?	No
(d) (1) (vii)	Major Programs (list):	Block Grant – Substance Abuse #93.959 ARRA -- Medical Assistance Program #93.778 Medical Assistance Program #93.778
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d) (1) (ix)	Low Risk Auditee?	Yes

**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



Dave Yost • Auditor of State

MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES

WAYNE 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
MARCH 10, 2011**