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

FINANCIAL STATEMENTS
AUDITED

June 30, 2009 and 2008

Mary Taylor, CPA
Auditor of State

Member of the Board
Mental Health and Recovery Board of Wayne and Holmes Counties
2345 Gateway Drive, Suite C
Wooster, Ohio 44691

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, 2008 through June 30, 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 Board of Wayne and Holmes Counties is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 23, 2010

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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
2345 Gateway Drive, Suite C
Wooster, Ohio 44691

To Members of the Board:

We have audited the accompanying financial statement 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 years ended June 30, 2009 and 2008, 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.

In our opinion, the 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 Mental Health & Recovery Board of Wayne & Holmes Counties, Ohio as of June 30, 2009 and 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009 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.

The management's discussion and analysis on pages 3 through 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 inquires 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, 2009, 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* 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 15, 2009

MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDING JUNE 30, 2009 AND 2008
[UNAUDITED]

The intent of this discussion and analysis of the financial performance of the Mental Health and Recovery Board of Wayne and Holmes Counties (hereinafter referred to as "the Board") for the fiscal years ending June 30, 2009 and 2008 is to provide an overview and summary of the Board's financial activities in an easy-to-read format. The primary focus of this discussion and analysis is of the Board itself, although passing reference is also made to the activities of the Wayne County Family and Children First Council (hereinafter referred to as the FCFC), for which the Board is the designated administrative agent and which is also subject to a separate, additional audit which includes its own "Management Discussion and Analysis."

Financial Highlights

Financial highlights for **FY08** are as follows:

- A significant deficit was incurred for the second year in a row, with expenses exceeding revenue by $674,000.

- As a consequence of this loss, the Board's fund balance decreased from $3,156,407 at the beginning of the year to $2,482,407 at year end. The year-end cash balance was $2,127,678.

- Excluding activities associated with serving as administrative agent for the FCFC that are segregated in a separate fund, the Board had total revenue of $11,552,158 and expenses of $12,104,431. Both of these amounts are little changed from the comparable numbers from the prior year.

- Board administrative costs totaled $781,755, of which $660,028 was associated with the Board itself and $121,727 with FCFC operations. The $660,028 of administrative costs that were specific to the Board represents 5.4% of overall Board expenses, which is close to statewide norms.

- These financial statements are the first to be prepared subsequent to the Board's moving to a July-June fiscal year* and officially switching to a full accrual basis of accounting (i.e., revenue is recognized when earned, expenses are recognized when an obligation is incurred and non-cash items are also accounted for).

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* This change in fiscal year was done pursuant to ORC Section 9.34(B) and with the concurrence of both the Auditor of State and the Wayne County Auditor. With this change, the Board's official budget and audited financial statements have now become aligned with our fiscal year reporting to ODMH/ODADAS, resulting in a much more rational, efficient and functional accounting system and audit reports which are more intelligible and useful.

Financial highlights for **FY09** are as follows:

- FY09 ended up with an accrual basis surplus of $93,388. The Board and contract agencies implemented midyear allocation reductions in response to significant cuts from both ODMH and ODADAS. The remainder was due to contracts which were billed below the contracted allocation which translated into board savings.

- As a consequence, the Board's fund balance increased from $2,482,407 at the beginning of the year to $2,575,795 at year end. Cash, however, actually decreased from $2,127,678 at the beginning of the year to $1,928,182 at June 30, 2009 year end.

- Excluding activities associated with serving as administrative agent for the FCFC that are segregated in a separate fund, the Board had total revenue of $11,901,614 and expenses of $11,682,029. ($11,808,227 less FCFC of $126,198) While revenue remains close to last year, expenses were reduced due to planned budget reductions from both the agencies and the board in order to balance the budget after significant reductions in ODMH and ODADAS funding.

- Board administrative costs totaled $793,389, of which $667,191 was associated with the Board itself and $126,198 with FCFC operations. The $667,191 of administrative costs that were specific to the Board represents 5.7% of overall Board expenses, which is consistent if not lower than statewide norms.

- These financial statements are comparative, as this is the second year statements were prepared subsequent to the Board's moving to a July-June fiscal year* and officially switching to a full accrual basis of accounting (i.e., revenue is recognized when earned, expenses are recognized when an obligation is incurred and non-cash items are also accounted for).

Description of Basic Financial Statements

This annual audit report is presented in a format consistent with the presentation requirements of Government Accounting Standards Board Statement No. 34. These statements have been prepared on the accrual basis of accounting, wherein (a) revenue is recognized when earned (regardless of when payment is received), (b) expenses are recognized when an obligation is incurred (regardless of when payment is made) and (c) non-cash items (such as payables, receivables, depreciation, in-kind items, etc.) are also accounted for.

Report components are as follows:

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* This change in fiscal year was done pursuant to ORC Section 9.34(B) and with the concurrence of both the Auditor of State and the Wayne County Auditor. With this change, the Board's official budget and audited financial statements have now become aligned with our fiscal year reporting to ODMH/ODADAS, resulting in a much more rational, efficient and functional accounting system and audit reports which are more intelligible and useful.

- The Statement of Net Assets provides a year-end picture of the Board's assets (cash, receivables and equipment), its liabilities (funds which are owed to others) and its net worth or net assets (i.e., assets less liabilities).

- The Statement of Activities summarizes revenue (resources coming in) and expenditures (resources going out) over the course of the year by function.

- The Statement of Statement of Revenue, Expenditures and changes in Fund Balances shows Revenue and Expenses in major categories for FY09 and FY08.

- The Statement of Statement of Revenue, Expenditures and changes in Fund Balances shows Revenue and Expenses – Budget and Actual shows variance with the Final Budget for each year.

- The Federal Schedule itemizes receipts and expenditures for various federal funds administered by the Board.

- The Notes to Financial Statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

- Letters from the auditor report on Board compliance with various federal rules and regulations.

<u>Financial Status of the Board as a Whole</u>

Together, the Statement of Net Assets and the Statement of Revenue, Expenditures and Changes in Fund Balances answer the question "How did the Board do financially during FY09 and FY08?"

The Statement of Revenue, Expenditures and Changes in Fund Balance compares revenue against expenditures for the year and calculates whether the Board had a surplus or suffered a loss. Revenue has been grouped into the following categories: Property taxes: (Local levy), Government Grants which includes: (Medicaid reimbursement (with ODMH and ODADAS accounted for separately), federal awards (with ODMH and ODADAS accounted for separately), state allocations (with ODMH and ODADAS accounted for separately) and other miscellaneous revenue. Expenses have been organized around Board administration, Contracts for Services which includes contract agencies, state hospital charges, special projects, out-of-county billings and finally, Miscellaneous expenses.

The Statement of Net Assets presents a snap shot of where the Board stood financially on the last day of the year in terms of the assets it held at that point in time, obligations that were owed to other parties and the net difference. When the Statement of Activities indicates that expenses exceeded revenue and a loss was incurred (as was the case in FY06), this would show up on the Statement of Net Assets in terms of the Board's net assets being lower at the end of the year as compared to the beginning of the year by the amount of the deficit.

Due to Medicaid patterns of reimbursement, it is not possible to know with absolute certainty what outstanding revenue and/or billings for the year have yet to be received, so determining appropriate estimates of these amounts is inherent in the process of preparing such accrual financial statements. Efforts have been to ensure that these estimates are both reasonable, conservative, and checked with subsequent collection of funds.

For the purposes of this "Management Discussion and Analysis," comparisons with the Board's FY07 accrual based compilation report have been provided, but these numbers from FY07 were not subject to audit.

The table below provides a re-cap of the Board's Statement of Net Assets as of June 30, 2009 and preceding years:

	FY09	FY08	FY07
Assets			
Cash with Fiscal Agent	$1,928,182	$2,127,678	$2,698,340
Receivables	$3,544,526	$3,693,079	$2,475,033
Prepaid Expenses	$17,570	$10,163	$11,383
Net Capital Assets	$28,290	$33,427	$26,543
TOTAL	$5,518,568	$5,864,347	$5,211,299
Liabilities			
Accounts Payable	$1,272,934	$2,016,342	$1,920,470
Unearned Revenue	1,557,053	1,223,555	-
Accrued Expenses	$84,496	$108,616	$107,899
TOTAL LIABILITIES	$2,914,483	$3,348,513	$2,028,369
Net Assets			
Invested in Capital Assets, Net of Related Debt	$28,290	$33,427	$38,564
Unrestricted	$2,575,795	$2,482,407	$3,114,386
TOTAL NET ASSETS	$2,604,085	$2,515,834	$3,182,950

As of the end of the fiscal year on June 30, 2008, the net assets of the Board had decreased by $667,116 from what they were at the beginning of the FY08 and increased by $88,251 at the end of FY09.

The table which follows summarizes the Board's Revenue and Expense, providing information about the revenue and expense amounts that accounted for the Board's loss in FY08, and resultant reduction in net assets, and small surplus in FY09.

	FY09	FY08	FY07
Revenue			
Levy	$2,757,216	$2,395,431	$2,382,566
ODMH Federal Funds	$241,951	$255,216	$266,185
ODMH Medicaid FFP	$2,487,901	$2,002,257	$1,909,416
ODADAS Federal Funds	$841,650	$894,924	$886,786
ODADAS Medicaid FFP	$434,976	$371,427	$332,434
ODMH State Funds	$4,377,440	$4,953,050	$4,777,248
ODADAS State Funds	$445,894	$456,924	$646,126
Other Revenue	$314,585	$222,929	$304,714
TOTAL REVENUE	$11,901,615	$11,552,158	$11,505,475
Expenses			
Board Administration	$788,545	$780,224	$747,087
Agency Contracts	$8,607,915	$8,932,548	$7,649,055
State Hospital Charges	$781,625	$877,825	$1,026,646
Special Projects	$335,715	$490,052	$633,286
Out-of-County Services	$652,679	$511,328	$518,897
Family and Children First Councils	$610,522	$719,949	$834,338
Other Expenses	$31,226	$(85,767)	($11,372)
TOTAL EXPENSES	11,808,227	$12,226,158	$12,145,924
SURPLUS/(DEFICIT)	$93,388	($674,000)	($639,549)
NET ASSETS AT THE BEGINNING OF THE YEAR	$2,482,407	$3,156,407	$3,795,956
NET ASSETS AT THE END OF THE YEAR	$2,575,795	$2,482,407	$3,156,407

Description of the 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 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. Furthermore, since the County continues to operate on a cash basis, in FY09 the Board submitted two budgets to the County for approval: one prepared on a cash basis, upon which the Board's certificate and encumbrances are based, and a second version prepared on an accrual basis that the Board uses for management, cost accounting and state reporting.

For FY08, actual revenue and expenditures aligned closely with budget (accrual) projections, as summarized in the Budget to Actual General Fund report on page 21.
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 20 of the Audit report.

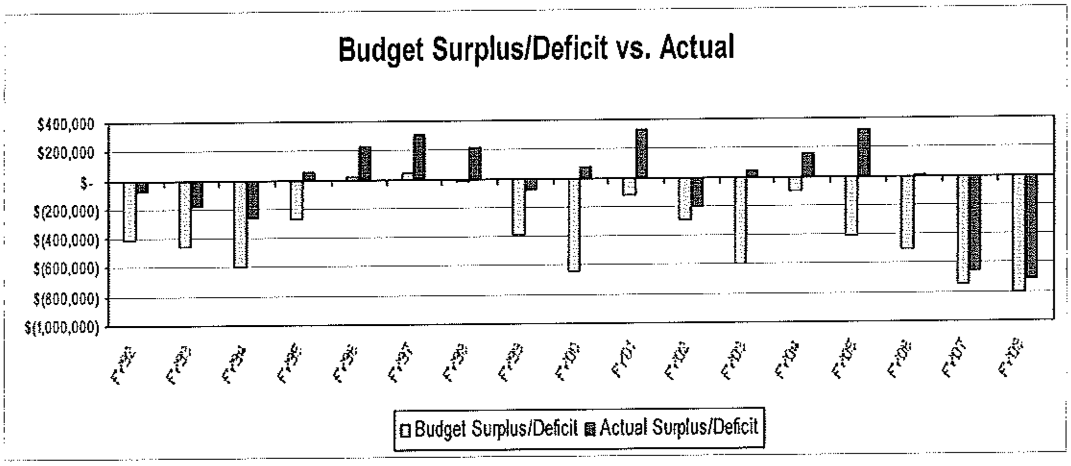
Capital Assets and Debt Administration

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 $33,427 as of June 30, 2008 and $28,290 as of June 30, 2009.

The Board did not have any outstanding debt as of June 30, 2008 or 2009.

Current Issues and Outlook

In FY08, for the second year in a row, the Board incurred a significant deficit. This represents a change from previous history, where budgeted deficits were typically not actually incurred, due to revenue being higher that anticipated and/or expenses being lower. This pattern is summarized in the following historical chart which compares budget to actual in terms of the size of the surplus or deficit:



There are multiple reasons that these deficits are now occurring, but a primary underlying factor is the erosion of basic state support over a number of years. If one compares the level of state support from ODMH to what it was in the early 1990's and corrects for increases in the CPI and for population growth in the two counties, it is the case that state funding (which accounts for approximately half of the Board's revenue) has decreased by over 25% in real dollars through FY08 and another 33% by the end of FY09. Because of this trend and the resulting cumulative effects of these recent multiple-year deficits, the Board's reserves have been reduced by over a third from what they were a couple of years ago.

Given this deteriorating financial situation, the Board implemented a number of belt-tightening measures for FY09 to address the deficit. These actions, combined with the additional revenue produced by the passage of a 10-year, 1-mill replacement levy in the fall of 2007 (actual receipts began in calendar year 2009) would have largely addressed the deficit problem for a number of years, had the basic assumptions upon which the Board had traditionally based its long-range financial projections continued to hold true. It now seems, however, the unprecedented State budget cuts extraordinary efforts needed to be addressed.

	Prior Assumptions	Likely New Realities
1.	There would likely be budget savings of $300-400,000 in both FY08 and FY09, due primarily to contract agencies not reaching maximum contract ceilings and therefore not drawing down all the funds that were budgeted/encumbered for this purpose.	Preliminary yearend results for FY08 indicate some savings, but the amount is likely less than $100,000. Failure to earn full contract ceilings did take place, but was less than anticipated and was largely offset by other factors, several of which have ongoing implications for FY09 and beyond (e.g., levy revenue, cross-system Medicaid match and HB131 reimbursement).
2.	State and federal funding would begin to increase again in FY10 at rates of 2% and 1% respectively.	The state budget situation continues to deteriorate. Additional cuts of 2-5% are being implemented in the current fiscal year and preliminary budget guidelines to ODMH/ODADAS indicate a potential 10% loss of state funding in FY10. Actual amounts exceeded the projections.

		exceeded the projections.
3.	Medicaid growth would be limited to a rate of 5% a year.	Projections are on target locally. However, this is largely beyond the control of the Board and could change overnight. .
4.	State hospital use could be managed in a manner that would result in annual rate increases of 1%.	Our local state hospital utilization, while volatile, has been flat at present. However, the per diem has been artificially subsidized by one-time state funds for three years.
5.	The levy passed in 2007 would provide an increase of $600,000 annually and would increase 2% a year thereafter because of new construction.	It remains to be seen how much additional revenue the new levy will produce, although the $600,000 remains consistent with the County Auditor's projections.
6.	A "fix" would be implemented for the elimination of revenue from the repeal of the TPPT (rather than begin to be phased out in FY's10-11).	The state is currently replacing lost levy revenue associated with the elimination of the Tangible Personal Property Tax. If this "hold-harmless" mechanism is not continued in some fashion, the Board stands to eventually lose over $300,000 of levy revenue.
7.	Those budget categories that have been difficult to control (particularly detox services, state hospital utilization and contributions through the FCFC's for joint service plans for multi-system kids) would not exceed initial budget allocations.	Much effort has gone into trying to ensure that these challenging cost centers are managed within budget guidelines. MHRB initiated an innovative detox best practice model with ongoing monitors
8.	State funding arrangements would be reasonably stable and, despite possible cutbacks, we could count on continuity in basic funding formulas.	ODMH and ODADAS are both contemplating major shifts in historical funding formulas. This is associated with both the possibility of the state's assuming direct responsibility for Medicaid match, as well as reviews of the rationale for current distribution arrangements for state and federal dollars. Some "trial balloon" scenarios that have been distributed would result in significant loss of state funding to the Wayne-Holmes Board .

In FY09, the Board realized the negative FY08 outlook, and the Board was required to implement additional cost-cutting measures to bring expenses in line with actual revenue allocated from the state to prevent its reserves from being further reduced to unacceptable levels that would jeopardize the Board's solvency and ability to function.

In order to balance a $584,000 reduction in funds in FY09, the Board and Contract Agencies worked diligently together to reduce the system budget by $415,618. This was certainly not without sacrifice to services in our community, in fact, elimination of entire programs.

As of FY10 allocations became a reality, the system faced an additional $1,269,906 in state and federal funding allocation reductions. Stimulus funds provided some budget relief, an estimated $518,670 in Medicaid funds, but in order to again balance the already reduced budgets, the Agencies and Board reduced their allocations a total of $638,463. This brings total cuts to the system to $1,054,081 for FY09 and FY10 alone.

Unfortunately the budget picture for the State of Ohio remains bleak, with little if no hope for restoring funding and more than likely more cuts. These challenges are great and maintaining reasonable levels of basic services in place for the citizens of Wayne and Holmes counties, especially for those not eligible for Medicaid coverage, will be exceedingly difficult in upcoming years.

Contacting 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, 2345 Gateway Drive, Wooster, Ohio 44691.

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
STATEMENT OF NET ASSETS
JUNE 30, 2009 AND 2008

	2009 Governmental Activities	2008 Governmental Activities
Assets		
Pooled Cash and Cash Equivalents	$ 1,928,182	$ 2,127,678
Receivables:		
Property Taxes	1,557,053	1,223,555
Due from Funding Sources	1,259,562	1,124,187
Agencies' Advances	727,911	899,337
Family & Children First Council	-	446,000
Prepaid Expense	17,570	10,163
Depreciable Capital Assets, Net	28,290	33,427
Total Assets	$ 5,518,568	$ 5,864,347
Liabilities		
Accounts Payable	$ 1,272,934	$ 2,016,342
Unearned Revenue	1,557,053	1,223,555
Accrued Expenses		
Due within one year:		
Vacation and Compensatory Time	7,761	75,740
Sick Time Payable	7,248	32,876
Due in more than one year:		
Vacation and Compensatory Time	52,267	-
Sick Time Payable	17,220	-
Total Liabilities	2,914,483	3,348,513
Net Assets		
Invested in Capital Assets, Net of Related Debt	28,290	33,427
Unrestricted	2,575,795	2,482,407
Total Net Assets	2,604,085	2,515,834
Total Liabilities and Net Assets	$ 5,518,568	$ 5,864,347

See accompanying notes.

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
Social Services	11,019,975	9,144,398	(1,875,577)
Administration	793,389	-	(793,389)
Total Governmental Activities	$ 11,813,364	$ 9,144,398	$ (2,668,966)
General Revenues			
Property Taxes			2,757,217
Total General Revenues			2,757,217
Changes in Net Assets			88,251
Net Assets Beginning of Year			2,515,834
Net Assets End of Year			$ 2,604,085

See accompanying notes.

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
Social Services	11,437,519	9,156,727	(2,280,792)
Administration	781,755	-	(781,755)
Total Governmental Activities	$ 12,219,274	$ 9,156,727	$ (3,062,547)
General Revenues			
Property Taxes			2,395,431
Total General Revenues			2,395,431
Changes in Net Assets			(667,116)
Net Assets Beginning of Year			3,182,950
Net Assets End of Year			$ 2,515,834

See accompanying notes.

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2009 AND 2008

	2009 General Fund	2008 General Fund
Assets		
Pooled Cash and cash equivalents	$ 1,928,182	$ 2,127,678
Receivables:		
Due from Funding Sources	1,259,562	1,124,187
Property Tax	1,557,053	1,223,555
Agencies' Advances	727,911	899,337
Family & Children First Council	-	446,000
Prepaid Expense	17,570	10,163
Total Assets	$ 5,490,278	$ 5,830,920
Liabilities		
Accounts Payable	$ 1,272,934	$ 2,016,342
Unearned Revenue	1,557,053	1,223,555
Accrued Expenses		
Vacation and Compensatory Time	7,761	75,740
Sick Time Payable	7,248	32,876
Total Liabilities	2,844,996	3,348,513
Net Assets		
Unrestricted, Designated by the Governing Board		
Salary Reserve	42,230	39,887
Hospital Reserve	338,980	340,313
Family and Children First Council Admin Reserve	29,922	32,660
Unrestricted, Undesignated	2,234,150	2,069,547
Total Net Assets	2,645,282	2,482,407
Total Liabilities and Net Assets	$ 5,490,278	$ 5,830,920

See accompanying notes

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2009 AND 2008

	2009	2008
Total Governmental Fund Balances	$ 2,645,282	$ 2,482,407
Amounts reported for governmental activites in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	28,290	33,427
Long-term liabilities, including compersated absences, are not due and payable in the current period and therefore are not reported in the fund.	(69,487)	-
Net Assets of Governmental Activities	$ 2,604,085	$ 2,515,834

See accompanying notes

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2009 AND 2008

	2009 General Fund	2008 General Fund
Revenue		
Property Taxes	$ 2,757,217	$ 2,395,431
Government Grants	8,829,813	8,933,798
Miscellaneous	314,585	222,929
Total Receipts	$ 11,901,615	$ 11,552,158
Expenditures		
Salaries	353,901	414,065
Fringe Benefits	136,503	110,195
Equipment	-	11,446
Consultants / Professional	103,473	104,338
Contracts	10,928,732	11,437,519
Miscellaneous	216,131	148,595
Total Disbursements	$ 11,738,740	$ 12,226,158
Change in Fund Balances	162,875	(674,000)
Fund Balances Beginning of Year	2,482,407	3,156,407
Fund Balances End of Year	$ 2,645,282	$ 2,482,407

See accompanying notes

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND TO THE NET ASSETS OF GOVERNMENTAL ACTIVITES
YEAR ENDED JUNE 30, 2009 AND 2008

	2009	2008
Net Changes in Fund Balances - Total Governmental Fund Balances	$ 162,875	$ (674,000)
Amounts reported for governmental activites in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(5,137)	6,884
Expenses reported in the statement of activities, such as compersated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(69,487)	-
Change in Net Assets of Governmental Activities	$ 88,251	$ (667,116)

See accompanying notes

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
Revenue				
Property Taxes	$ 2,666,535	$ 2,485,250	$ 2,757,217	$ 271,967
Government Grants	9,183,226	8,915,084	8,829,813	(85,271)
Miscellaneous	320,675	320,675	314,585	(6,090)
Total Revenues	$ 12,170,436	$ 11,721,009	$ 11,901,615	$ 180,606
Expenditures				
Salaries	420,416	420,416	353,901	66,515
Fringe Benefits	118,513	118,513	136,503	(17,990)
Consultants	107,888	107,888	103,473	4,415
Non-Personnel Expenses	174,708	174,708	216,131	(41,423)
Contracts for Services	11,891,194	12,337,194	10,928,732	1,408,462
Equipment Purchases	10,000	10,000	-	10,000
Total Expenditures	$ 12,722,719	$ 13,168,719	$ 11,738,740	$ 1,429,979
Change in Fund Balances	(552,283)	(1,447,710)	162,875	1,610,585
Fund Balances Beginning of Year	2,482,407	2,482,407	2,482,407	-
Fund Balances End of Year	$ 1,930,124	$ 1,034,697	$ 2,645,282	$ 1,610,585

See accompanying notes

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
Revenue				
Property Taxes	$ 2,444,321	$ 2,444,321	$ 2,395,431	$ (48,890)
Government Grants	9,324,342	9,324,342	8,933,798	(390,544)
Miscellaneous	305,616	305,616	222,929	(82,687)
Total Revenues	$ 12,074,279	$ 12,074,279	$ 11,552,158	$ (522,121)
Expenditures				
Salaries	418,815	418,815	414,065	4,750
Fringe Benefits	123,498	123,498	110,195	13,303
Consultants	122,530	122,530	104,338	18,192
Non-Personnel Expenses	176,194	176,194	148,595	27,599
Contracts for Services	12,191,994	12,191,994	11,437,519	754,475
Equipment Purchases	10,500	10,500	11,446	(946)
Total Expenditures	$ 13,043,531	$ 13,043,531	$ 12,226,158	$ 817,373
Change in Fund Balances	(969,252)	(969,252)	(674,000)	295,252
Fund Balances Beginning of Year	3,156,407	3,156,407	3,156,407	-
Fund Balances End of Year	$ 2,187,155	$ 2,187,155	$ 2,482,407	$ 295,252

See accompanying notes

MENTAL HEALTH & RECOVERY BOARD
OF WAYNE & HOLMES COUNTIES
FIDUCIARY FUND - STATEMENT OF NET ASSETS
JUNE 30, 2009 AND 2008

	2009 Family & Children First Council Agency Fund	2008 Family & Children First Council Agency Fund
Assets		
Pooled Cash and Cash Equivalents	$ 842,192	$ 775,536
Receivables:		
Funders	19,038	114,878
Grants	48,780	28,297
Total Assets	$ 910,010	$ 918,711
Liabilities		
Accounts Payable:		
Placement Facilities Payable	$ 8,516	$ 52,229
Grants Payable	165,533	148,525
Other	-	5,455
Advance Payable	446,000	446,000
Deposits Held, Not Yet Disbursed	289,961	266,502
Total Liabilities and Net Assets	$ 910,010	$ 918,711

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the 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. 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

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

These financial statements were prepared on the basis of accounting principles generally accepted in the United States of America. Receipts are recognized when earned, and disbursements are recognized when a liability is incurred.

These financial statements consist of government-wide statements, including the statement of assets, statement of liabilities and net assets, a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

The statement of assets and statement of liabilities and net assets presents the financial condition of the government activities of the Board at year-end. The statements include the activities of the primary government except for fiduciary funds. The statement of activities presents a comparison between direct expenses and program revenue for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general receipts of the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement presentation (Continued)

Fund Financial Statements

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid in 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 the major fund. The major fund is presented in a separate column. Fiduciary funds are reported by type.

C. Cash

As required by Ohio Revised Code, the Board's cash is held and invested by the Wayne County Treasurer, who acts as custodian for Board monies. The Board's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The Board uses fund accounting to segregate cash and investments that are restricted as to use. The Board classifies its funds into the following types:

1. General Fund

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.

2. Fiduciary Funds (Agency Funds)

These funds are used to account for assets, liabilities, net assets and changes in net assets for funds for which the Board is acting in an agency capacity. 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 and fiscal agent for the Council.

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

E. Budgetary Process

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

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.

F. Receivables

Receivables are presented net of any associated bad debt allowances. The Board reserves 100% of receivable balances for advances to agencies that have a negative fund balance. Reserve balances for agency advances are $203,926 and $0 as of June 30, 2009 and 2008 respectively.

G. Capital Assets & Depreciation

The investment in capital assets is stated at cost or fair market value at the date of receipt. Depreciation methods and useful lives are as follows:

	Method	Life
Computer Equipment	Straight Line	5 yrs.
Office Equipment	Straight Line	10 yrs.

The Agency capitalizes asset acquisitions greater than $1,000. Routine expenditures for repairs and maintenance are expensed as incurred.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Total unpaid vacation and sick leave totaled $84,496 and $108,616 as of June 30, 2009 and 2008, respectively.

I. Net Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

K. Economic Dependency

The Mental Health and Recovery Board receives approximately 23% of its annual budget from the District Tax Levy, 37% from the Ohio Department of Mental Health – State Funds, 4% from the Ohio Department of Alcohol and Drug Addiction Services – State Funds, 23% from the Ohio Department of Mental Health – Federal Funds, and 11% 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.

2. 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.

3. RETIREMENT SYSTEMS

Pension 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.

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

3. RETIREMENT SYSTEMS (Continued)

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. Members in the state and local divisions may participate in all three plans, while law enforcement and public safety divisions exist only within the Traditional Plan. All of the Board's employees are classified under the local division requirements of the plan.

For the fiscal year ended June 30, 2009, OPERS members of the local classification contributed 10.0% of their gross salaries from July 1, 2008 through June 30, 2009.

For the fiscal year ended June 30, 2008, OPERS members of the local classification contributed 9.5% of their gross salaries from July 1, 2007 through December 31, 2007, and 10.0% from January 1, 2008 through June 30, 2008.

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 fore employers under the local classification were 13.85% of participants' gross salaries for July 1, 2007 through December 31, 2007, and 14.00% of participants' gross salaries from January 1, 2008 through June 30, 2009. In addition, the Board pays 1.0% of the members share for July 1, 2007 through June 30, 2008 and 3.0% for July 1, 2008 through June 30, 2009. The Board has paid all contributions required through June 30, 2009.

The Board's required contributions to OPERS for the fiscal periods ended June 30, 2009, June 30, 2008, were as follows:

June 30, 2009 (fiscal year, GAAP basis)	$	69,146
June 30, 2008 (fiscal year, GAAP basis)		65,661
June 30, 2007 (six-month fiscal period, cash basis)		27,515

<u>Other Post Employment Benefits</u>

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.

3. RETIREMENT SYSTEMS (Continued)

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 provider 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 postretirement health care through their contributions to OPERS. The Board's contribution actually made to fund other post–employment benefits was $34,573 and $30,637 for the fiscal years ended June 30, 2009 and 2008, respectively.

The portion of the Board's employer contributions used to fund post–employment benefits can be approximated by multiplying actual employer contributions by 0.4332 for July 1, 2007 through December 31, 2007 and 0.5000 for January 1, 2008 through June 30, 2009 for local government employers.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

Description	Beginning Balance	Addition	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, being depreciated				
Furniture & Fixtures	37,884	-	-	37,884
Computer Equipment	19,159	-	-	19,159
Total	57,043	-	-	57,043
Less Accumulated Depreciation for:				
Furniture & Fixtures	(11,402)	(3,152)	-	(14,554)
Computer Equipment	(12,214)	(1,985)	-	(14,199)
Total	(23,616)	(5,137)	-	(28,753)
Total Capital Assets, Net	33,427	(5,137)	-	28,290

All depreciation expense is charged to general government expense on the government-wide financial statements.

5. OPERATING 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 for a one-time 5% increase. Rental expense under the operating lease agreement amounted to $23,064 and $23,064 for the fiscal years ended June 30, 2009 and 2008.

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.

6. 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.

7. 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 (subrecipient) 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.

8. RELATED PARTY TRANSACTIONS

As of June 30, 2008, the Board was due a total of $446,000 from the First Council for operating cash advances. Terms specifies that repayment was to be made within 45 days of notice to the First Council by the Board. As of June 30, 2009 the $446,000 of advances had been repaid in full.

9. CHANGE IN FINANCIAL STATEMENT PRESENTATION

For six-month fiscal period ended June 30, 2007 the Board presented it's financial statements on the basis of accounting preferred or permitted by the Auditor of State. For the fiscal year ended June 30, 2008 the Board has switched to a GAAP presentation format. The effect of this change is a change in the Board's Net Asset balance as of June 20, 2007, which is reconciled as follows:

	All Assets	Governmental Fund
June 30, 2007 – Auditor of State Basis	$ 2,698,512	$ 2,698,512
June 30, 2007 - Accrual Conversion Adjustments:		
Add:		
Receivables – Due from Funding Sources	1,076,696	1,076,696
Receivables – Agencies' Advances	952,337	952,337
Receivables – Family & Children First Council	446,000	446,000
Prepaid Expenses	11,383	11,383
Depreciable Capital Assets, Net	26,543	-
Less:		
Accounts Payable	(1,920,642)	(1,920,642)
Accrued Expenses – Vacation and Comp Time	(75,002)	(75,002)
Accrued Expenses – Sick Time Payable	(32,877)	(32,877)
June 30, 2007 – GAAP Basis	$ 3,182,950	$ 3,156,407

10. JUNE 30, 2008 FISCAL YEAR ERROR CORRECTION

At year ended June 30, 2008, the MHRB omitted the receivable and associated deferred revenue for property taxes, which were received in September through November of 2008. The correcting entry at June 30, 2008 for both the Government Wide Statement of Net Assets and the Governmental Fund Balance Sheet is:

Property Taxes Receivable	1,223,555	
Unearned Revenue		1,223,555

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, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)				
Safe and Drug Free Schools and Community State Grant	84.186	85-02476-00-DFSCA-P-06-9109	$ 35,000	$ 35,000
Total - U.S. Department of Education			**$ 35,000**	**$ 35,000**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)				
Medical Assistance Program	93.778	NONE	$ 340,683	$ 340,683
ARRA - Medical Assistance Program (Recovery Act Funded)	93.778	NONE	$ 28,000	$28,000
(Passed Through the Ohio Department of Mental Health)				
Medical Assistance Program	93.778	NONE	$1,804,774	$1,804,774
ARRA - Medical Assistance Program (Recovery Act Funded)	93.778	NONE	$ 176,656	$176,656
Total Medical Assistance Program			$2,350,113	$2,350,113
(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)				
Block Grant for Prevention and Treatment of Substance Abuse	93.959	85-02476-00-CMMCO-P-08-0032 85-01536-00-PAWP-08-0204 85-02289-00-Women-T-08-8997 85-01536-00-YMENT-P-08-0017	$ 820,509	$ 820,509
Block Grant for Community Mental Health Services	93.958	NONE	$ 66,834	$ 66,834
(Passed Through the Ohio Department of Mental Health)				
Childrens Health Insurance Program	93.767	NONE	$ 314,603	$ 314,603
FAST (IV-B)	93.556	NONE	$ 72,335	$ 72,335
STAR-SI	93.243	NONE	$ 19,084	$ 23,715
ACRA Award	93.243	NONE	$ 2,057	$ 2,057
Total for 93.243			$ 21,141	$ 25,772
Social Services Block Grant	93.667	NONE	$ 102,782	$ 102,782
Total - U.S. Dept of Health & Human Services			**$3,748,317**	**$3,752,948**
Total			**$3,783,317**	**$3,787,948**

**** 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 GAAP basis by which this schedule was prepared, all Medicaid & SCHIP funds are considered to be expended.

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS AS OF JUNE 30, 2009

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 accrual 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.

Linc, Malachin, Dennis & Dimengo, Inc.

LMDD

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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
2345 Gateway Drive, Suite C
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, 2009, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more that a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

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 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*.

We noted certain matters that we reported to management of the Board in a separate letter dated December 15, 2009.

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 15, 2009

Linc, Malachin, Dennis & Dimengo, Inc.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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
2345 Gateway Drive, Suite C
Wooster, Ohio 44691

To Members of the Board:

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 U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 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 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 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.

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 15, 2009

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, 2009

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):**	Children's Health Insurance Program #93.767 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

Mary Taylor, CPA
Auditor of State

MENTAL HEALTH 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
MAY 6, 2010