

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

ALLEN COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2010

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



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 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 Services Board of Allen, Auglaize and Hardin 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

July 27, 2011

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

**AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010**

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, (the Board), as of and for the year ended December 31, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

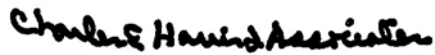
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Board as of December 31, 2010, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund, the Community Mental Services State Fund and the Medicaid Mental Health Fund thereof for the year then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis on pages 3 to 8 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Charles E. Harris & Associates, Inc.

June 15, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

As management of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties (the Board), we are providing this overview of the Board's financial activities for the year ended December 31, 2010. Please read this overview in conjunction with the Board's basic financial statements, which follow.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2010 are as follows:

- Net assets increased \$827,812. This was due in part to one-time grant funding received late in the year and unusually low billing from a major provider when compared to the prior year in the other governmental funds.
- General receipts accounted for \$1,884,881 in receipts or 19 percent of all receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$7,991,576 or 81 percent of total receipts of \$9,876,457.
- The Board had \$9,048,645 in disbursements related to governmental activities; only \$7,991,576 of these disbursements were offset by program specific grants and contributions. General receipts of \$1,884,881 were adequate to provide for these programs.
- The Board advanced \$1,449,255 from the General Fund to various Special Revenue Funds to cover deficits. Advances of \$1,184,866 made from the General Fund in CY09 were paid back to the general fund for total Net advances out in CY10 of \$264,389.
- As of the close of 2010, the Board's governmental funds reported combined ending fund balances of \$4,761,200.
- At the close of the 2010, unreserved fund balance was \$3,041,966.
- As of the close of 2010, the Board had cumulated deposit amounts totaling \$4,761,200.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED**

The Statement of Net Assets – Cash Basis and Statement of Activities - Cash Basis provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Basis of Accounting

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

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

REPORTING THE BOARD AS A WHOLE

The statement of net assets and the statement of activities reflect how the Board did financially during 2010, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balances of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

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

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

REPORTING THE HEALTH DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements - Fund financial statements provide detailed information about the Board's major funds – not the Board as a whole. The Board establishes separate funds to better manage its many

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the Board are governmental.

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

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

The Board maintains 34 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all four major funds. The basic governmental fund financial statements can be found starting on page 11 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 16 of this report.

THE BOARD AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Board as a whole. Table 1, below, provides a summary of the Board's net assets for 2010 compared to 2009.

**Table 1
Net Assets – Cash Basis**

	Governmental Activities	
	2010	2009
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,761,200	\$3,933,388
Net Assets		
Restricted for:		
Budget Stabilization	\$1,719,234	\$1,686,514
Other Purposes	1,548,196	1,106,879
Capital Outlay	247,167	247,167
Unrestricted	1,246,603	892,828
Total Net Assets	\$4,761,200	\$3,933,388

Total assets increased \$827,812.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Table 2 shows the changes in net assets for the year ended December 31, 2010. The Board has prepared financial statements following the format prescribed by GASB Statement 34, receipts and disbursement comparison to year 2009 is presented.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2010	2009
Receipts		
Program Cash Receipts		
Operating Grants and Contributions	\$7,934,790	\$7,328,782
Charges for Services	56,786	56,274
Capital Grants and Contributions	0	250,000
Total Program Cash Receipts	<u>7,991,576</u>	<u>7,635,056</u>
General Receipts		
Property Taxes	1,538,967	1,512,315
Intergovernmental	156,531	169,567
Contributions	0	280
Rent	145,832	95,412
Other Receipts	43,551	247,001
Total General Receipts	<u>1,884,881</u>	<u>2,024,575</u>
Total Receipts	<u>9,876,457</u>	<u>9,659,631</u>
Disbursements		
Environmental Health		
General Government	1,028,700	2,071,960
Health Services	7,849,388	8,142,980
Employee Benefits	170,557	161,333
Total Disbursements	<u>9,048,645</u>	<u>10,376,273</u>
Change in Net Assets	827,812	(716,642)
Net Assets Beginning of Year	<u>3,933,388</u>	<u>4,650,030</u>
Net Assets End of Year	<u><u>\$4,761,200</u></u>	<u><u>\$3,933,388</u></u>

In 2010, 19 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 81 percent of the Board's total receipts in year 2010. In 2009, 21 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 79 percent of the Board's total receipts in year 2009. Medicaid and its matching funds, federal operating grants, and state funds awarded for specific programs or purposes primarily make up these receipts.

Total Cost versus Net Cost of Services

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. The “net cost” amount represents the cost of those services supported by property tax receipts and intergovernmental revenues. Comparisons to 2009 have been presented.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
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ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Table 3

Functions/Program	2010 Total Cost of Services	2010 Net Cost of Services
Governmental Activities:		
Health Services	\$7,849,388	\$1,057,067
General Government	1,028,700	0
Employee Benefits	170,557	0
Total Governmental Activities	<u>\$ 9,048,645</u>	<u>\$1,057,067</u>

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

The Board's reliance upon intergovernmental revenues, property tax receipts, and other general revenues is apparent as 19 percent of governmental activities are supported through these general receipts for 2010.

THE BOARD'S FUNDS

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

As of the end of 2010, the Board's governmental funds reported combined ending fund balances of \$4,761,200, an increase of \$827,812.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010:

	Fund Balance 12/31/2010	Fund Balance 12/31/2009	Increase (Decrease)
General	\$2,965,837	\$2,579,342	\$386,495
Community Mental Health Fund	413,195	0	413,195
Medicaid Mental Health Fund	0	0	0
Other Governmental Funds	1,382,168	1,354,046	28,122
Total	<u>\$4,761,200</u>	<u>\$3,933,388</u>	<u>\$827,812</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

GENERAL FUND BUDGETARY INFORMATION

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

During the course of 2010, the Board amended its general fund budget throughout the year. For the general fund, original budgeted receipts were \$1,709,361 and final budgeted receipts were \$1,757,529. Actual receipts for fiscal year 2010 were \$1,787,605. This represents a \$30,076 increase over final budgeted receipts.

General fund original appropriations (appropriated expenditures) were \$1,922,555 and final budgeted appropriations were \$1,065,769. The actual budget basis expenditures 2010 totaled \$1,136,741, which was \$70,972 over the final budget appropriations.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

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

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

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

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

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

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

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

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

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

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

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2010**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,761,200
Total Assets	<u>4,761,200</u>
Net Assets	
Restricted for:	
Budget Stabilization	\$ 1,719,234
Other Purposes	1,548,196
Capital Outlay	247,167
Unrestricted	<u>1,246,603</u>
Total Net Assets	<u>\$ 4,761,200</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Functions/Programs	Expenditures	Program Revenues		Net (Expense) Revenue & Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Health Services:				
Contract - Services	\$ 7,849,388	\$ 56,786	\$ 6,735,533	\$ (1,057,069)
General Government:				
Salaries	327,868	-	327,868	-
Advertising and Printing	16,068	-	16,068	-
Professional Services	413,648	-	413,648	-
Supplies	4,409	-	4,409	-
Postage and Shipping	837	-	837	-
Communications	13,374	-	13,374	-
Dues	16,103	-	16,103	-
Rentals	50,131	-	50,131	-
Utilities	6,405	-	6,405	-
Maintenance	78,227	-	78,227	-
Insurance	17,431	-	17,431	-
Travel and Training	26,086	-	26,086	-
Buildings/Equipment	900	-	900	-
Other Exp.	29,501	-	29,501	-
Reimbursements	27,712	-	27,712	-
Employee Benefits:				
Public Employee's Retirement	82,138	-	82,138	-
Health Insurance	79,867	-	79,867	-
Life Insurance	1,601	-	1,601	-
Medicare	4,743	-	4,743	-
Workers' Comp.	2,208	-	2,208	-
Total Governmental Activities	\$ 9,048,645	\$ 56,786	\$ 7,934,790	\$ (1,057,069)
General Revenues:				
				\$ 1,538,967
Taxes				156,531
Intergovernmental Revenue				145,832
Rent Income				43,551
Other				1,884,881
Total General Revenues				827,812
Change in Net Assets				3,933,388
Net Assets - Beginning of Year				4,761,200
Net Assets - End of Year				\$ 4,761,200

See accompanying notes to the basic financial statements

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	Governmental Fund Types			Total Governmental Funds	
	General	Community Mental Health Services	Medicaid Mental Health		Other Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 2,965,837	\$ 413,195	\$ -	\$ 1,382,168	\$ 4,761,200
Total Assets	<u>\$ 2,965,837</u>	<u>\$ 413,195</u>	<u>\$ -</u>	<u>\$ 1,382,168</u>	<u>\$ 4,761,200</u>
LIABILITIES AND FUND BALANCE					
Unreserved:					
Designated for Budget Stabilization	\$ 1,719,234	\$ -	\$ -	\$ -	\$ 1,719,234
Undesignated, Reported In:					
General Fund	1,246,603	-	-	-	1,246,603
Special Revenue Funds	-	\$ 413,195	\$ -	\$ 1,135,001	1,548,196
Capital Project Fund	-	-	-	247,167	247,167
Total Fund Balances	<u>\$ 2,965,837</u>	<u>\$ 413,195</u>	<u>\$ -</u>	<u>\$ 1,382,168</u>	<u>\$ 4,761,200</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Community Mental Health Services	Medicaid Mental Health	Other Governmental Funds	
RECEIPTS:					
Taxes	\$ 1,538,967	\$ -	\$ -	\$ -	\$ 1,538,967
Grants	-	3,013,904	2,441,549	2,479,337	7,934,790
Intergovernmental Revenue	156,531	-	-	-	156,531
Charges for Services	56,786	-	-	-	56,786
Rent	-	-	-	145,832	145,832
Other	35,341	8,230	-	-	43,571
Total Cash Receipts	1,787,625	3,022,134	2,441,549	2,625,169	9,876,477
DISBURSEMENTS:					
Current Operations:					
Health Services:					
Contract - Services	886,144	2,213,677	2,334,338	2,415,229	7,849,388
General Government:					
Salaries	-	-	-	327,868	327,868
Advertising and Printing	11,396	(198)	-	4,870	16,068
Professional Services	194,016	127,899	-	91,733	413,648
Supplies	174	-	-	4,235	4,409
Postage and Shipping	-	-	-	837	837
Communications	2,340	-	-	11,034	13,374
Dues	960	-	-	15,143	16,103
Rentals	-	-	-	50,131	50,131
Utilities	-	-	-	6,405	6,405
Maintenance	-	-	-	78,227	78,227
Insurance	-	-	-	17,431	17,431
Travel and Training	12,242	-	-	13,844	26,086
Buildings/Equipment	-	-	-	900	900
Other Exp.	29,469	-	-	52	29,521
Reimbursements	-	-	27,236	476	27,712
Employee Benefits:					
Public Employee's Retirement	-	-	-	82,138	82,138
Life Insurance	-	-	-	1,601	1,601
Health Insurance	-	-	-	79,867	79,867
Medicare	-	-	-	4,743	4,743
Workers' Comp.	-	-	-	2,208	2,208
Total Cash Disbursements	1,136,741	2,341,378	2,361,574	3,208,972	9,048,665
Total Receipts Over/(Under) Disbursements	650,884	680,756	79,975	(583,803)	827,812
Other Financing Receipts/(Disbursements):					
Advances In	1,184,866	-	446,323	611,925	2,243,114
Advances (Out)	(1,449,255)	(267,561)	(526,298)	-	(2,243,114)
Total Other Financing Receipts/(Disbursements)	(264,389)	(267,561)	(79,975)	611,925	-
Net Change in Fund Balance	386,495	413,195	-	28,122	827,812
Fund Cash Balances, January 1, 2010	2,579,342	-	-	1,354,046	3,933,388
Fund Cash Balances, December 31, 2010	\$ 2,965,837	\$ 413,195	\$ -	\$ 1,382,168	\$ 4,761,200

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts			
REVENUES:	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Taxes	\$ 1,446,872	\$ 1,508,972	\$ 1,538,967	\$ 29,995
Intergovernmental Revenue	169,567	156,531	156,531	-
Charges for Services	56,272	56,786	56,786	-
Contributions	280	-	-	-
Other	36,370	35,240	35,341	101
Total Cash Receipts	1,709,361	1,757,529	1,787,625	30,096
DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	1,676,853	725,642	886,144	(160,502)
General Government:				
Advertising and Printing	23,762	10,205	11,396	(1,191)
Professional Services	199,102	314,123	194,016	120,107
Supplies	2,965	174	174	-
Communications	4,950	2,340	2,340	-
Dues	1,200	1,200	960	240
Rentals	50	-	-	-
Travel and Training	13,637	12,085	12,242	(157)
Other Exp.	36	-	29,469	(29,469)
Total Cash Disbursements	1,922,555	1,065,769	1,136,741	(70,972)
Total Receipts Over/(Under) Disbursements	(213,194)	691,760	650,884	101,068
Other Financing Receipts/(Disbursements):				
Advances In	-	-	1,184,866	1,184,866
Advances (Out)	-	-	(1,449,255)	(1,449,255)
Total Other Financing Receipts/(Disbursements)	-	-	(264,389)	(264,389)
Net Change in Fund Balance	(213,194)	691,760	386,495	(305,265)
Fund Cash Balances, January 1, 2010	2,579,342	2,579,342	2,579,342	-
Fund Cash Balances, December 31, 2010	\$ 2,366,148	\$ 3,271,102	\$ 2,965,837	\$ (305,265)

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
Community Mental Health Services State Fund
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original Budget	Final Budget	Actual	
REVENUES:				
Grants	\$ 2,694,231	\$ 3,013,904	\$ 3,013,904	\$ -
Other	19,620	7,699	8,230	531
Total Cash Receipts	2,713,851	3,021,603	3,022,134	531
DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	2,374,288	2,076,738	2,213,677	(136,939)
General Government:				
Salaries	195,751	-	-	-
Advertising and Printing	6,621	-	(198)	198
Professional Services	4,332	23,600	127,899	(104,299)
Supplies	1,816	-	-	-
Postage and Shipping	910	-	-	-
Communications	4,223	-	-	-
Dues	14,487	-	-	-
Rentals	21,527	-	-	-
Utilities	2,427	-	-	-
Maintenance	4,152	-	-	-
Insurance	15,668	-	-	-
Travel and Training	8,214	-	-	-
Buildings/Equipment	216	-	-	-
Other Exp.	87	-	-	-
Total Cash Disbursements	2,654,719	2,100,338	2,341,378	(241,040)
Total Receipts Over/(Under) Disbursements	59,132	921,265	680,756	241,571
Other Financing Receipts/(Disbursements):				
Advances (Out)	-	-	(267,561)	(267,561)
Total Other Financing Receipts/(Disbursements)	-	-	(267,561)	(267,561)
Net Change in Fund Balance	59,132	921,265	413,195	(508,070)
Fund Cash Balances, January 1, 2010	-	-	-	-
Fund Cash Balances, December 31, 2010	\$ 59,132	\$ 921,265	\$ 413,195	\$ (508,070)

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS**

**Medicaid Mental Health Fund
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original Budget	Final Budget	Actual	
REVENUES:				
Grants	\$ 2,117,170	\$ 2,302,754	\$ 2,441,549	\$ 138,795
Total Cash Receipts	2,117,170	2,302,754	2,441,549	138,795
DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	2,012,789	2,275,518	2,334,338	(58,820)
General Government:				
Reimbursements	17,573	27,236	27,236	-
Total Cash Disbursements	2,030,362	2,302,754	2,361,574	(58,820)
Total Receipts Over/(Under) Disbursements	86,808	-	79,975	197,615
Other Financing Receipts/(Disbursements):				
Advances In	-	-	446,323	446,323
Advances (Out)	-	-	(526,298)	(526,298)
Total Other Financing Receipts/(Disbursements)	-	-	(79,975)	(79,975)
Net Change in Fund Balance	86,808	-	-	-
Fund Cash Balances, January 1, 2010	-	-	-	-
Fund Cash Balances, December 31, 2010	\$ 86,808	\$ -	\$ -	\$ -

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. REPORTING ENTITY

The Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

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

Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable for an organization if the Board appoints a voting majority of the organizations' government board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access to organizations' resources; or (3) the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Board is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the Board has no component units. The basic financial statements of the reporting entity include only those of the Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

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

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

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

B. Fund Accounting

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

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

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

D. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Board. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

E. Cash and Investments

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Fund Balance Reserves and Designations

The Board reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. A fund balance designation has been established for budget stabilization.

J. Interfund Activity

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Net Assets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

3. EQUITY IN POOLED CASH

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

The Allen County Auditor's records indicated the Board's cash balance as of December 31, 2010, was \$4,761,200.

4. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Allen, Auglaize, and Hardin Counties. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2010 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Allen, Auglaize, and Hardin County Auditors collect property taxes on behalf of the Board and remit the collected taxes to the Board. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Real Property	Allen	Auglaize	Hardin
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,757,630,235	\$862,540,210	\$440,201,770
Public Utilities	86,569,560	273,540	401,530
Total Assessed Value	\$1,884,199,795	\$862,813,750	\$440,603,300

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

5. INTERFUND BALANCES

Interfund cash advances for the year ended December 31, 2010, were as follows:

	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General Fund	\$ 1,449,255	\$ -
Medicaid Mental Health Fund	-	247,008
Other Governmental Funds	<u>-</u>	<u>1,202,247</u>
 Total Inter-fund Receivables Payables	 <u>\$ 1,449,255</u>	 <u>\$ 1,449,255</u>

6. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

The Board has pulled out of the County Employee Health Insurance Plan effective June 30, 2010 and now maintains a high deductible Health Care Plan with Medical Mutual with the intent to reduce health care premiums and overall costs. In conjunction with the high deductible plan, an HSA (Health Savings Plan) has been established. The plan has a \$5,000 per family and \$2,500 per individual deductible. Once the deductible is met, the insurance plan begins to pay at 100%.

7. DEFINED BENEFIT PENSION PLAN

(a) Plan Description

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

7. DEFINED BENEFIT PENSION PLAN (continued)

(a) Plan Description (continued)

Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the OPERS board of trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-466-2085 or 1-800-222-PERS (7377).

(b) Funding Policy

Plan members are required to contribute a percentage of their annual covered salary (10% in 2010 and 2009), and Mental Health and Recovery Services Board is required to contribute an actuarially determined rate. The employer contribution rate for 2010 and 2009 was 14% of annual covered payroll. The contribution requirements of plan members and Mental Health and Recovery Services Board are established and may be amended by the Board. Mental Health and Recovery Services Board's contributions to OPERS for the years ended December 31, 2010, 2009, and 2008 were \$82,138, \$81,228, and \$81,628 respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pensions plan; the Member Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan.

OPERS provides retirement, disability, survivor and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the contribution rate was 14.00% of covered payroll for 2010. The employer contribution included 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 to fund health care for the year. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.

On September 9, 2004 the OPERS Retirement board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures the OPEBS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

8. POSTEMPLOYMENT BENEFITS (continued)

Under the HCPP, retirees for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

9. CONTINGENT LIABILITIES

A. Grants

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

B. Fund Designation

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

The recommended fund balance designation requirement was developed as equal to two months of the total operating budget (2/12). This percentage is then converted to a dollar amount for the current operating year identifying a minimum level. At December 31, 2010 the Board had designated \$1,719,234 for possible future financial shortfalls.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Program Title	Federal CFDA Number	Project Number	Receipts	Disbursements
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Ohio Department of Mental Health:				
Community Plan Block Grant	93.958	01-BG01PLAN-10	\$ 68,190	\$ 97,093
	93.958	01-BG01PLAN-11	68,192	29,958
Total Community Plan Block Grant			136,382	127,051
Early Childhood Mental Health	93.590	FY 10	36,721	25,196
Social Services Block Grant-Title XX	93.667	FY 10	100,756	66,955
	93.667	FY 11	33,179	66,606
Total Social Services Block Grant-Title XX			133,935	133,561
Medical Assistance Program	93.778	FY 10	1,251,561	1,593,706
	93.778	FY 11	1,189,988	767,869
Medical Assistance Program - EFMAP	93.778	FY 10	165,688	280,842
	93.778	FY 11	177,000	17,273
Total Medical Assistance Program			2,784,237	2,659,690
State Children's Insurance Program	93.767	FY 10	-	80,273
	93.767	FY 11	-	47,058
Total State Children's Insurance Program			-	127,331
Total Passed Through Ohio Department of Mental Health:			\$ 3,091,275	\$ 3,072,829
Passed Through Ohio Department of Alcohol and Drug Addiction Services:				
Federal Per Capita	93.959	01-BGD-FY10	\$ 254,549	\$ 218,138
	93.959	01-BGD-FY11	25,073	304,272
Federal Per Capita	93.959	01-BGD-FY10	6,046	-
	93.959	01-BGD-FY11	-	42,353
Women's Treatment	93.959	FY 10	11,769	5,885
	93.959	FY 11	15,662	17,654
Prevention Services	93.959	FY 10	29,559	19,452
	93.959	FY 11	-	27,783
UMADAOP	93.959	0205004-00-UMP-10	75,491	37,746
	93.959	0205004-00-UMP-11	37,746	113,000
Total Substance Abuse Prevention and Treatment Block Grant			455,895	786,283
Medical Assistance Program	93.778	FY 10	189,954	206,088
	93.778	FY 11	140,288	61,265
Medical Assistance Program - EFMAP	93.778	FY 10	21,741	19,726
	93.778	FY 11	19,516	1,663
Total Medical Assistance Program			371,499	288,742
State Children's Insurance Program	93.767	FY 10	-	24,832
	93.767	FY 11	-	16,122
Total State Children's Insurance Program			-	40,954
Total Passed Through Ohio Department of Alcohol and Drug Addiction Services			827,394	1,115,979
Total Federal Assistance - U.S. Department of Health and Human Services			\$ 3,918,669	\$ 4,188,808

See accompanying Notes to the Schedule of Federal Awards Expenditures.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

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

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

NOTE C – MATCHING REQUIREMENTS

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

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

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

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

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, (the Board), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 15, 2011, wherein we noted the Board followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-1.

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, Members of the Board, federal awarding agencies and pass-through entities, and others within the Board. We intend it for no one other than these specified parties.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

June 15, 2011

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

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

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

To the Members of the Board:

Compliance

We have audited the compliance of the Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, (the Board), with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal programs. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended December 31, 2010.

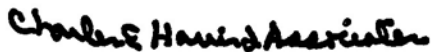
Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Charles E. Harris & Associates, Inc.

June 15, 2011

SCHEDULE OF FINDINGS
MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Unqualified Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510	No
(d)(1)(vii)	Major Programs:	Medical Assistance Program: CFDA #93.778; Substance Abuse Prevention and Treatment Block Grant: CFDA #93.959
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS – (continued)
MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2010

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

FINDING NUMBER 2010-1
Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2010:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 1,065,769	\$ 1,136,741	\$ (70,972)
Special Revenue Fund:			
Community Mental Health Services State Fund	2,100,338	2,341,378	(241,040)
Medicaid Mental Health Fund	2,302,754	2,361,574	(58,820)

The Board should deny payment requests exceeding appropriations, as required by Ohio Revised Code Section 5705.41(B). We recommend the Board compare expenditures to appropriations on a regular basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

MANAGEMENT RESPONSE:

We will monitor actual versus budget amounts to determine if our appropriations must be adjusted due to a shortfall in receipts. We will request amended certificate of receipts as necessary along with the reduction of appropriations.

3. FINDINGS FOR FEDERAL AWARDS

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2009, reported no material citations or recommendations.



Dave Yost • Auditor of State

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

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2011**