

**MENTAL HEALTH AND RECOVERY BOARD
OF ERIE AND OTTAWA COUNTIES**

SINGLE AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2009**

Varney, Fink & Associates, Inc.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Mental Health and Recovery Board of Erie and Ottawa Counties
416 Columbus Ave
Sandusky, Ohio 44870

We have reviewed the *Independent Auditor's Report* of the Mental Health and Recovery Board of Erie and Ottawa Counties, Erie County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Erie and Ottawa Counties is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

June 16, 2010

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MENTAL HEALTH AND RECOVERY BOARD
OF ERIE AND OTTAWA COUNTIES

FOR THE YEAR ENDED
DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mental Health and Recovery Board of Erie and Ottawa Counties
416 Columbus Avenue
Sandusky, OH 44870

To the Board of Trustees:

We have audited the accompanying financial statements of the Mental Health and Recovery Board of Erie and Ottawa Counties as of December 31, 2009 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Mental Health and Recovery Board of Erie and Ottawa Counties prepares its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also to present larger (i.e. major) funds separately. While the Mental Health and Recovery Board of Erie and Ottawa Counties does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require certain governments to reformat their statements. The Mental Health and Recovery Board of Erie and Ottawa Counties has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Mental Health and Recovery Board of Erie and Ottawa Counties, or its changes in financial position for the year then ended.

INDEPENDENT AUDITOR'S REPORT (continued)

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Mental Health and Recovery Board of Erie and Ottawa Counties as of December 31, 2009, and its cash receipts and disbursements for the year then ended, on the basis of accounting Note 1 describes.

The Mental Health and Recovery Board of Erie and Ottawa Counties has not presented Management's Discussion and Analysis, which accounting principles generally accepted In the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

As discussed in Note 2 to the financial statements, the Board has combined its General and Special Revenue Funds into one fund for the year ended December 31, 2009, to account for all of the Boards activities.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2010 on our consideration of the Mental Health and Recovery Board of Erie and Ottawa Counties internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and is not a required part of the financial statements of the Mental Health and Recovery Board of Erie and Ottawa Counties. 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.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 11, 2010

Mental Health and Recovery Board of Erie and Ottawa Counties
Statement of Cash Receipts, Disbursements and Changes
in Fund Cash Balance - Mental Health and Recovery Fund
For the Year Ended December 31, 2009

Cash Receipts:	
Local Taxes	\$3,172,773
Intergovernmental	5,542,266
Other Revenue	129,089
	<hr/>
Total Cash Receipts	8,844,128
	<hr/>
Cash Disbursements:	
Salaries and Benefits	437,044
Supplies	5,930
Contracts - Repair	5,974
Contracts - Services	8,256,899
Rentals	11,604
Advertising and Printing	6,105
Travel	15,528
Public Employee's Retirement	50,626
Workers' Compensation	7,020
Other	89,815
Capital Outlay	219,843
Debt Service:	
Principle	8,831
Interest and Fiscal Charges	10,283
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Total Cash Disbursements	9,125,502
	<hr/>
Total Cash Receipts (Under) Disbursements	(281,374)
Other Financing Sources	
Commercial Loan Proceeds	118,000
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Total Other Financing Sources	118,000
	<hr/>
Total Cash Receipts and Other Financing Sources (Under)	
Cash Disbursements	(163,374)
	<hr/>
Fund Cash Balance, January 1, 2009 (Restated see Note 2)	2,071,037
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Fund Cash Balance - December 31, 2009	\$1,907,663
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The notes to the financial statements are an integral part of this statement.

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MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **DESCRIPTION OF THE ENTITY**

The Mental Health and Recovery Board of Erie and Ottawa Counties, (the Board) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A seventeen member Board is the governing body. Eight members are appointed by the Board of the Erie County Commissioners, three members are appointed by the Board of the Ottawa County Commissioners, three members are appointed by the Ohio Department of Alcohol and Drug Addiction Services, and three members are appointed by the Ohio Department of Mental Health. The Board provides alcohol, drug addiction and mental health services and programs to citizens of Erie and Ottawa Counties. These services are provided primarily through contracts with private and public agencies.

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

B. **BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosures of material matters, as prescribed or permitted by the Auditor of State.

C. **CASH**

As required by the Ohio Revised Code, the Erie County Treasurer is custodian for the Board's deposits. The County's deposit and investment pool holds the Board's deposits, and is valued at the Erie County Treasurer's carrying amount.

D. **FUND ACCOUNTING**

The Board uses a fund 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 fund of the Board is as follows:

Mental Health and Recovery Fund. This fund accounts for a property tax levy and federal and state grants that are primarily used to pay the costs of contracts with local mental health agencies that provide services to the public.

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

ENCUMBRANCES - The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the following fiscal year.

A summary of the 2009 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **UNPAID VACATION AND SICK 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 cash basis of accounting.

NOTE 2 – CHANGE IN REPORTING ENTITY

The past financial statements of the Board have presented both a General Fund and Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific sources that are legally restricted to expenditure for specified purposes.

The Board has determined that resources accounted for in the Special Revenue Funds are used for the same purposes as the General Fund which is to pay the costs of contracts with local mental health agencies that provide services to the public. Because of this, and the federal and state grants do not require a separate fund to account for grant resources, the Board has decided to account for all resources and activities in one fund, the Mental Health and Recovery Fund.

This had the following effect on the fund cash balance:

Fund Cash Balance	General Fund	Special Revenue Funds	Mental Health and Recovery Fund
December 31, 2008	\$1,971,043	\$99,994	\$0
Change	(1,971,043)	(99,994)	2,071,037
Restated Fund Cash Balance January 1, 2009	<u>\$0</u>	<u>\$0</u>	<u>\$2,071,037</u>

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2009

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2009 was as follows:

<u>Fund Type:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Mental Health and Recovery Fund	\$9,427,788	\$8,962,128	(\$465,660)

<u>Fund Type:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Mental Health and Recovery Fund	\$10,414,548	\$9,125,502	\$1,289,046

NOTE 4 - PROPERTY TAXES

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 Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Board's district.

Tangible personal property tax has been phased out as of 2009. To compensate, the state will make distributions to taxing subdivisions from revenue generated by a newly enacted commercial activity tax. Generally, these distributions are expected to fully compensate taxing subdivisions for such losses through 2010 with gradual reductions in the reimbursement from 2011 through 2017.

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

NOTE 5 – DEBT

A commercial loan was originally obtained in 1998 to finance the purchase of the property used by the Board for its administrative offices. The original loan was for \$135,000. This original loan was refinanced in both 2003 and 2008. The current loan is for \$88,418, with an interest rate of 7.90%, requiring 59 payments of \$1,074 through April 2013, and a final estimated payment due May 2013 of \$53,994. The outstanding principal at December 31, 2009 was \$76,799.

Amortization of the above debt, including \$19,081 of interest, is as follows:

<u>Year</u>	<u>Total</u>
2010	\$11,814
2011	12,888
2012	12,888
2013	<u>58,290</u>
	<u>\$95,880</u>

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 5 – DEBT (Continued)

A commercial loan was obtained in 2009 to finance the purchase of property used by the Board for the Beacon project. The current loan was for \$118,000, with an interest rate of 6.29%, requiring 35 payments of \$1,021 through July 2012, and a final estimated payment due August 2012 of \$103,560. The outstanding principal at December 31, 2009 was \$116,116.

Amortization of the above debt, including \$18,074 of interest, is as follows:

<u>Year</u>	<u>Total</u>
2010	\$11,231
2011	12,252
2012	<u>110,707</u>
	<u>\$134,190</u>

NOTE 6 – DEFINED BENEFIT PENSION PLANS

Plan Description – The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent each year). Under the member-directed plan members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contribute 10 percent of covered payroll.

The Board's contribution rate for 2009 was 14 percent. The portion of employer contributions allocated to health care was 7 percent from January 1 through March 31, 2009 and 5.5 percent from April 1, through December 31, 2009. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Board of 14 percent.

The Board's required contributions for pension obligations to the traditional plan for the years ended December 31, 2009, 2008, and 2007 were \$50,626, \$54,634, and \$52,674 respectively. The full amount has been contributed for 2009, 2008 and 2007.

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 - POST-EMPLOYMENT BENEFITS

Plan Description – OPERS maintains a cost-sharing multi-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7 percent of covered payroll from January 1 through March 31, 2009 and 5.5 percent from April 1 to December 31, 2009.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Board's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$21,246, \$27,317, and \$20,917 respectively. The full amount has been contributed for 2009, 2008, and 2007.

NOTE 8 – RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 9 - CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any would not be material.

Mental Health and Recovery Board of Erie and Ottawa Counties
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2009

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Identifying Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Alcohol and Drug Addiction Services:			
Safe and Drug-Free Schools and Communities - State Grant	22-06662-00-DFSCA-P-09-9069	84.186A	\$21,269
	22-06662-00-DFSCA-P-10-9069	84.186A	13,862
Total Safe and Drug-Free Schools and Communities - State Grant			<u>35,131</u>
Total U.S. Department of Education			<u>35,131</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Mental Health:			
Promoting Safe and Stable Families	15-CS-09-01	93.556	<u>52,377</u>
Child Care and Development Block Grant	N/A	93.575	14,328
	N/A	93.575	12,232
Total Child Care and Development Block Grant			<u>26,560</u>
Social Services Block Grant	MH-15-09	93.667	52,424
	MH-15-10	93.667	25,779
Total Social Services Block Grant			<u>78,203</u>
Medical Assistance Program	N/A	93.778	1,784,376
ARRA - Medical Assistance Program	N/A	93.778	247,937
Total Medical Assistance Program			<u>2,032,313</u>
Block Grants for Community Mental Health Services	N/A	93.958	33,292
	N/A	93.958	52,379
	N/A	93.958	2,657
Total Block Grants for Community Mental Health Services			<u>88,328</u>
Passed Through Ohio Department of Alcohol and Drug Addiction Services:			
Medical Assistance Program	N/A	93.778	367,885
ARRA - Medical Assistance Program	N/A	93.778	55,562
Total Medical Assistance Program			<u>423,447</u>
Block Grants for Prevention and Treatment of Substance Abuse	FY09-FA/DBG&F/IVBG	93.959	248,871
	FY10-FA/DBG&F/IVBG	93.959	101,740
	FY10-FA/DBG&F/IVBG YLP	93.959	3,745
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>354,356</u>
Total U.S. Department of Health and Human Services			<u>3,055,584</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$3,090,715</u></u>

The notes to this schedule are an important part of this schedule

**MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – 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 of Expenditures of Federal Awards.

**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***

Board of Trustees
Mental Health and Recovery Board of Erie and Ottawa Counties
416 Columbus Avenue
Sandusky, OH 44870

To the Board of Trustees:

We have audited the financial statements of the Mental Health and Recovery Board of Erie and Ottawa Counties, as of and for the year ended December 31, 2009, and have issued our report thereon dated May 11, 2010, wherein we noted the Mental Health and Recovery Board of Erie and Ottawa Counties followed accounting practices the Auditor of State prescribes rather than the accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mental Health and Recovery Board of Erie and Ottawa Counties' internal control over financial reporting as a basis for designing our audit 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 Mental Health and Recovery Board of Erie and Ottawa Counties' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mental Health and Recovery Board of Erie and Ottawa Counties' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2009-01 described in the accompanying Schedule of Findings to be a material weakness.

Mental Health and Recovery Board of Erie and Ottawa Counties
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*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Mental Health and Recovery Board of Erie and Ottawa Counties' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Mental Health and Recovery Board of Erie and Ottawa Counties' response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Mental Health and Recovery Board of Erie and Ottawa Counties' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, 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 those specified parties.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 11, 2010

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

Board of Trustees
Mental Health and Recovery Board of Erie and Ottawa Counties
416 Columbus Avenue
Sandusky, OH 44870

Compliance

To the Board of Trustees:

We have audited the compliance of the Mental Health and Recovery Board of Erie and Ottawa Counties with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Mental Health and Recovery Board of Erie and Ottawa Counties major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Mental Health and Recovery Board of Erie and Ottawa Counties' management. Our responsibility is to express an opinion on the Mental Health and Recovery Board of Erie and Ottawa Counties' 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 Mental Health and Recovery Board of Erie and Ottawa Counties' compliance with those requirements and performing such other procedures 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 Mental Health and Recovery Board of Erie and Ottawa Counties' compliance with those requirements.

In our opinion, the Mental Health and Recovery Board of Erie and Ottawa Counties complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
In Accordance with OMB CIRCULAR A-133**

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Internal Control Over Compliance

The Mental Health and Recovery Board of Erie and Ottawa Counties management 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 Mental Health and Recovery Board of Erie and Ottawa Counties' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mental Health and Recovery Board of Erie and Ottawa Counties' internal control over compliance.

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

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

This report is intended solely for the information and use of management, 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.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 11, 2010

MENTAL HEALTH AND RECOVERY BOARD OF
ERIE AND OTTAWA COUNTIES

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

FOR THE YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

MENTAL HEALTH AND RECOVERY BOARD OF
ERIE AND OTTAWA COUNTIES

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

(d)(1)(vii)	Major Program:	Medical Assistance Program, CFDA #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

Finding 2009-01 Material Weakness

Financial Statement Adjustments

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The following audit adjustments were made to the December 13, 2009 financial statements:

- Reclassifications to properly record activity have been made by the Board as follows:
 - Intergovernmental receipts of \$357,823 were recorded as local taxes
 - Homestead and rollback receipts of \$137,272 were reported as other receipts rather than intergovernmental receipts.
- A building was purchased and the purchase and financing of \$120,351 of the property was not recorded on the financial statements.

The fiscal officer should review the adjustments and reclassification discussed above to ensure that similar errors are not reported on financial statements in subsequent years.

Officials Response:

These recommended adjustments will be monitored and recorded appropriately in the future. All receipts will be double checked at year end to verify they were reported correctly on all financial statements.

MENTAL HEALTH AND RECOVERY BOARD OF
ERIE AND OTTAWA COUNTIES

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**MENTAL HEALTH AND RECOVERY BOARD
OF ERIE AND OTTAWA COUNTIES**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2008-01	Significant deficiency/material weakness – adjustments to financial statements required	No	Reissued as Finding 2009-01



Mary Taylor, CPA
Auditor of State

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES

ERIE 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
JUNE 29, 2010**