

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

SINGLE AUDIT

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

Varney, Fink & Associates, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Mental Health and Recovery Board of Erie and Ottawa Counties, prepared by Varney, Fink & 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.

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 Accountants' 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 Accountants' 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 18, 2011

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MENTAL HEALTH AND RECOVERY BOARD
OF ERIE AND OTTAWA COUNTIES

FOR THE YEAR ENDED
DECEMBER 31, 2010

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INDEPENDENT ACCOUNTANTS' REPORT

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 (the Board) as of and for the year ended December 31, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Board has prepared these 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 GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Board's larger (i.e. major) funds separately. While the Board 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 Board 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, 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Board, as of December 31, 2010, or its changes in financial position for the year then ended.

INDEPENDENT ACCOUNTANTS' 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, 2010, and its cash receipts and disbursements for the year then ended on the basis of accounting Note 1 describes.

The Board 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2011 on our consideration of the Board 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.

We conducted our audit to opine on the financial statements that collectively comprise the Board's financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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

June 21, 2011

Mental Health and Recovery Board of Erie and Ottawa Counties
Statement of Cash Receipts, Cash Disbursements and Changes
in Fund Cash Balance - Mental Health and Recovery Fund
For the Year Ended December 31, 2010

Cash Receipts:

Local Taxes	\$3,206,133
Intergovernmental	6,399,269
Other Revenue	<u>155,877</u>
Total Cash Receipts	<u>9,761,279</u>

Cash Disbursements:

Salaries and Benefits	404,903
Supplies	3,626
Contracts - Repair	3,740
Contracts - Services	8,968,825
Rentals	7,247
Advertising and Printing	3,705
Travel, Conferences, and Training	11,736
Public Employee's Retirement	47,320
Workers' Compensation	5,477
Equipment	7,827
Other	71,212
Debt Service:	
Principal	10,948
Interest and Fiscal Charges	<u>12,610</u>
Total Cash Disbursements	<u>9,559,176</u>
Total Cash Receipts Over Disbursements	202,103
Fund Cash Balance, January 1, 2010	<u>1,907,663</u>
Fund Cash Balance - December 31, 2010	<u>\$2,109,766</u>

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, 2010

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, 2010

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 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 canceled and reappropriated in the following fiscal year.

A summary of the 2010 budgetary activity appears in Note 2.

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 – BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2010 was as follows:

Fund Type:	Budgeted	Actual	Variance
	Receipts	Receipts	
Mental Health and Recovery Fund	\$8,492,291	\$9,761,279	\$1,268,988
<hr/>			
Fund Type:	Appropriation	Budgetary	Variance
	Authority	Expenditures	
Mental Health and Recovery Fund	\$10,177,721	\$9,559,176	\$618,545

NOTE 3 - 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

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE C - PROPERTY TAXES (Continued)

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 4 – 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, 2010 was \$70,419.

Amortization of the above debt, including \$13,647 of interest, is as follows:

<u>Year</u>	<u>Total</u>
2011	\$12,888
2012	12,888
2013	<u>58,290</u>
	<u>\$84,066</u>

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, 2010 was \$111,548.

Amortization of the above debt, including \$11,411 of interest, is as follows:

<u>Year</u>	<u>Total</u>
2011	\$12,252
2012	<u>110,707</u>
	<u>\$122,959</u>

NOTE 5 – 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

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2010, state statute required employers to contribute 14% of gross salaries and for employees to contribute 10% of their gross salaries.

The Board's required contributions for pension obligations to the traditional plan for the years ended December 31, 2010, 2009, and 2008 were \$47,320, \$50,626, and \$54,634 respectively. The full amount has been contributed for 2010, 2009 and 2008.

NOTE 6 - POST-EMPLOYMENT BENEFITS

Plan Description – OPERS maintains a cost-sharing multi-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B reimbursement, to 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.

In order 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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not require, OPERS to provide OPEB 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 OPERS is set aside for the funding of post-employment health care.

MENTAL HEALTH AND RECOVERY BOARD OF ERIE AND OTTAWA COUNTIES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 6 - POST-EMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, 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 February 28, 2010 and 5.0 percent from March 1 to December 31, 2010.

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, 2010, 2009, and 2008 were \$17,159, \$21,246, and \$27,317 respectively. The full amount has been contributed for 2010, 2009, and 2008.

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

NOTE 8 - 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.

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Mental Health and Recovery Board of Erie and Ottawa Counties

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2010

Federal Grantor	Pass-Through Identifying Entity Number	Federal CFDA Number	Disbursements
Pass-Through Grantor			
Program Title			
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-10-9069	84.186A	\$21,138
Total Safe and Drug-Free Schools and Communities - State Grant			<u>21,138</u>
<i>Total U.S. Department of Education</i>			<u>21,138</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Mental Health:			
Child Care and Development Block Grant	N/A	93.575	18,312
	N/A	93.575	<u>9,816</u>
Total Child Care and Development Block Grant			<u>28,128</u>
Social Services Block Grant	MH-15-10	93.667	46,073
	MH-15-11	93.667	<u>17,767</u>
Total Social Services Block Grant			<u>63,840</u>
Medical Assistance Program	N/A	93.778	1,784,908
ARRA - Medical Assistance Program	N/A	93.778	<u>278,279</u>
Total Medical Assistance Program			<u>2,063,187</u>
Block Grants for Community Mental Health Services	N/A	93.958	12,894
	N/A	93.958	<u>54,335</u>
	N/A	93.958	<u>18</u>
	N/A	93.958	<u>1,612</u>
Total Block Grants for Community Mental Health Services			<u>68,859</u>
Passed Through Ohio Department of Alcohol and Drug Addiction Services:			
Medical Assistance Program	N/A	93.778	372,767
ARRA - Medical Assistance Program	N/A	93.778	<u>58,759</u>
Total Medical Assistance Program			<u>431,526</u>
Block Grants for Prevention and Treatment of Substance Abuse	FY10-FA/DBG&F/IVBG	93.959	243,054
	FY11-FA/DBG&F/IVBG	93.959	<u>151,248</u>
	FY11-FA/DBG&F/IVBG YLP	93.959	<u>3,745</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>398,047</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>3,053,587</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$3,074,725</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, 2010**

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.

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

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 (the Board), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 21, 2011, wherein we noted the Mental Health and Recovery Board of Erie and Ottawa Counties followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 a 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 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Board's management in a separate letter dated June 21, 2011.

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

June 21, 2011

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

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

To the Board of Trustees:

Compliance

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 U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could directly and materially affect each of the Mental Health and Recovery Board of Erie and Ottawa Counties (the Board) 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 of the Board's compliance with those requirements.

In our opinion, the Board, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The Board's 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 Board's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 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.

We intend this report solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants

June 21, 2011

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

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

FOR THE YEAR ENDED DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of financial statement opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level?	No
(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 federal programs reported?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control over major federal programs reported?	No
(d)(1)(v)	Type of major federal programs' compliance opinion	Unqualified
(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, 2010
(CONTINUED)**

(d)(1)(vii)	Major Programs:	Medical Assistance Program, CFDA #93.778; Block Grants for Prevention and Treatment of Substance Abuse, 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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010**

<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>
2009-01	Material weakness – adjustments to financial statements required	No	Partially corrected – There were no material adjustments to the financial statements required. There were immaterial unadjusted amounts which were communicated to management in the management letter.



Dave Yost • 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JULY 28, 2011