

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

FINANCIAL STATEMENTS  
AUDITED

DECEMBER 31, 2005

**This Page is Intentionally Left Blank.**



# Mary Taylor, CPA

Auditor of State

Members of the Board  
Mental Health Recovery Board of Wayne and Holmes Counties  
2345 Gateway Dr.  
Wooster, Ohio 44691

We have reviewed the *Report of Independent Auditors* of the Mental Health Recovery Board of Wayne and Holmes Counties, Wayne County, prepared by Linc, Malachin, Dennis & Dimengo, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 *Report of Independent Auditors* 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 *Report of Independent Auditors* 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 Recovery Board of Wayne and Holmes Counties is responsible for compliance with these laws and regulations.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

January 9, 2007

**This Page is Intentionally Left Blank.**

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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Auditors .....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2005 .....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Agency Fund For the Year Ended December 31, 2005.....	4
Notes to the Financial Statements.....	5-8
Schedule of Receipts and Expenditures of Federal Awards .....	9
Notes to the Schedule of Receipts and Expenditures of Federal Awards.....	10
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.....	11
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	12
Schedule of Findings and Questioned Costs .....	13

## REPORT OF INDEPENDENT AUDITORS

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

To Members of the Board:

We have audited the accompanying statement of cash receipts, cash disbursements, and changes in fund cash balances for all government fund types of the Mental Health and Recovery Board of Wayne and Holmes Counties, Ohio (the Board), as of December 31, 2005, and the related statement of cash receipts, cash disbursements, and changes in fund cash balances for the agency fund, for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 government 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 accounting principles generally accepted in the United States of America (GAAP), we presume they are material.

Revisions to GAAP would require the Board to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. Instead of the combined funds the accompanying financial statements present for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. While the Board does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Board has elected not to reformat its statements. Since this Board does not use GAAP to measure financial statement amounts, 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 paragraph, the financial statements referred to above 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, 2005 or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Board as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Board to include Management's Discussion and Analysis for the year ended December 31, 2005. 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2006, 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, and grants. 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 should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Board taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Linc, Malachin, Dennis & Dimengo, Inc.

July 12, 2006.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

		<u>General Fund</u>
<b>Cash Receipts:</b>		
District Levy	\$	2,109,414
Federal Funds		3,907,514
State ODMH Revenue		3,612,386
State ODADAS Revenue		424,467
Levy Rollback		218,835
Miscellaneous		770,984
Other (Non-Revenue Items)		<u>8,760</u>
 Total Cash Receipts		 11,052,360
 <b>Cash Disbursements:</b>		
Salaries		367,051
Fringe Benefits		97,713
Consultants		38,978
Non-personnel expenses		154,508
Contracts - Services		9,681,069
Equipment		<u>2,048</u>
 Total Cash Disbursements		 <u>10,341,367</u>
 Total Cash Receipts Over Cash Disbursements		 710,993
 Fund Cash Balance, January 1		 <u>2,803,112</u>
 <b>Fund Cash Balance, December 31</b>	 <b>\$</b>	 <b><u>3,514,105</u></b>
 Reserves for Encumbrances, December 31	 \$	 <u>94,766</u>

The notes to the financial statements are an integral part of this statement.



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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Agency Fund</u>
<b>Cash Receipts:</b>	
Individual Case Plan Revenue	\$ 418,842
Special Projects Revenue	630,284
Children's Trust Fund Grant	38,631
21st Century Grant	330,954
Tobacco Foundation Grant	<u>46,250</u>
 Total Cash Receipts	 <u>1,464,961</u>
 <b>Cash Disbursements:</b>	
Family Council Shared Funding Contracts	378,302
Special Project Contracts	684,982
Children's Trust Fund Projects	47,541
21st Century Projects	347,926
Tobacco Foundation Projects	<u>9,165</u>
 Total Cash Disbursements	 <u>1,467,916</u>
 Total Cash Receipts Under Cash Disbursements	 (2,955)
 Fund Cash Balance, January 1	 <u>657,091</u>
 <b>Fund Cash Balance, December 31</b>	 <b><u>\$ 654,136</u></b>
 Reserves for Encumbrances, December 31	 <u>\$ 232,490</u>

The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, Ohio, (the Board) serves the Wayne and Holmes County areas. The Board primarily provides mental health, drug addiction, alcohol, and community services to the residents of the two counties. The Board is a local mental health district as defined by Section 340.01, Ohio Revised Code.

The Board Members' composition are citizens appointed as follows:

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

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

**B. Basis of Accounting**

These financial statements issued on a calendar year basis, follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash disbursements basis of accounting. The Board with Wayne County acting as its fiscal agent is required to report following this 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 disclosure of material matters, as prescribed or permitted by the Auditor of State.

The sub-recipient agencies that are supported by the Board all report on a June 30 fiscal year end. The Board also issues a compiled financial statement following the accrual method of accounting with a twelve month fiscal period ended June 30. The June 30 fiscal year financial statements are issued in order to correspond to the Board's sub-recipient agencies, and to report to the State of Ohio and funding agencies such as the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and the Ohio Department of Mental Health (ODMH). In addition, the fiscal financial statements are also used in the setting of Medicaid rates.

The June 30, fiscal year, compiled financial statements may present a more accurate portrait of the Board's fiscal operations.

**C. Cash**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

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

**Special Revenue Fund**

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Board had no significant Special Revenue Funds for the year ended December 31, 2005.

**3. Fiduciary Funds (Agency Funds)**

These funds are used to account for resources restricted by legally binding trust agreements, and funds for which the Board is acting in an agency capacity. The Board had the following significant Agency Funds:

Wayne County Family and Children First Council Agency Fund

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2005 budgetary activity appears in Note 2.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Board.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2005 follows:

**2005 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 9,864,232	\$ 11,052,360	\$ 1,188,128
Agency	<u>1,464,961</u>	<u>1,464,961</u>	<u>-</u>
Total	\$ <u>11,329,193</u>	\$ <u>12,517,321</u>	\$ <u>1,188,128</u>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 10,613,492	\$ 10,436,133	\$ 177,359
Agency	<u>2,329,995</u>	<u>1,700,406</u>	<u>629,589</u>
Total	\$ <u>12,943,487</u>	\$ <u>12,136,539</u>	\$ <u>806,948</u>

**3. PROPERTY TAX**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**3. PROPERTY TAX (Continued)**

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

**4. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, PERS members contributed 8.5% of their gross salaries. The Board also contributed 13.55% of participants' gross salaries for 2005. The Board has paid all contributions required through December 31, 2005. The Board contributed \$45,718 for the year ended December 31, 2005.

**5. RISK MANAGEMENT**

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Leased vehicles
- Errors and omissions

The Board also provides health insurance and dental coverage to full-time employees through a private carrier.

**6. CONTINGENT LIABILITIES**

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

**7. ESTABLISHMENT OF RESERVE BALANCE ACCOUNT**

In 1990, the Board established (pursuant to Ohio Revised Code Section 5705.221 (c) ) a Reserve Balance Fund to segregate new levy revenue that would be needed to cover operating expenses in future years. This restricted account was created by transferring funds out of the General Fund, where levy funds are initially deposited, into this new account. As of December 31, 2005 there is a balance of \$316,796 in the reserve account.

**8. RELATED PARTY TRANSACTIONS**

As of December 31, 2005, the Board is due a total of \$446,000 from the First Council for operating cash advances. Terms specify that repayment is to be made within 45 days of notice to the First Council by the Board.

**MENTAL HEALTH AND RECOVERY BOARD OF WAYNE AND HOLMES COUNTIES  
WAYNE COUNTY  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)				
Safe and Drug Free Schools and Community State Grant	84.186	85-02476-00-DFSCA-P-05-9109 85-02476-00-DFSCA-P-06-9109	\$ 105,000	\$ 85,433
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)				
Medical Assistance Program	93.778	NONE	317,938	317,938
(Passed Through the Ohio Department of Mental Health)				
Medical Assistance Program	93.778	NONE	<u>2,128,575</u>	<u>2,128,575</u>
Total Medical Assistance Program			<u>2,446,513</u>	<u>2,446,513</u>
(Passed Through the Ohio Department of Alcohol and Drug Addiction Services)				
Block Grant for Prevention and Treatment of Substance Abuse	93.959	85-02476-00-CMMCO-P-06-0032 85-02476-00-CMMCO-P-05-0032 85-01536-00-PAWP-06-0204 85-01536-00-PAWP-05-0204 85-02289-00-Women-T-06-8997 85-02289-00-Women-T-05-8997 85-01536-00-YMENT-P-06-0017 85-01536-00-YMENT-P-05-0017	966,096	902,276
(Passed Through the Ohio Department of Mental Health)				
Block Grant for Community Mental Health Services	93.958	52-AD-BG-06-01 52-NC-05-01 52-CS-05-03	76,834	67,937
(Passed Through the Ohio Department of Mental Health)				
All Hazards Award	93.003	52-IBHS-06-01	3,039	11,122
(Passed Through the Ohio Department of Mental Health)				
Social Services Block Grant	93.667	NONE	112,175	104,291
State Incentive Grant	93.243	85-00452-SIG-P-06-0415 85-00452-SIG-P-05-0415	134,136	96,250

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

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

**NOTES TO THE SCHEDULE OF RECEIPTS AND  
EXPENDITURES OF FEDERAL AWARDS  
AS OF DECEMBER 31, 2005**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – SUBRECIPIENTS**

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

**NOTE C – MATCHING REQUIREMENTS**

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



1915 West Market St., Ste. 900  
Akron, Ohio 44313-6936

330.867.2800  
FAX: 330.867.2144

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To Members of the Board:

We have audited the accompanying financial statements of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, Ohio, (the Board), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 12, 2006, wherein we noted the Board follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash disbursements basis of accounting rather than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Board in a separate letter dated July 12, 2006.

This report is intended solely for the information and use of the audit committee, management, the Members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

July 12, 2006





1915 West Market St., Ste. 900  
Akron, Ohio 44313-6936

330.867.2800  
FAX: 330.867.2144

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

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

To Members of the Board:

We have audited the compliance of the Mental Health and Recovery Board of Wayne and Holmes Counties, Wayne County, Ohio, (the Board), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

**Compliance**

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

**Internal Control Over Compliance**

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

July 12, 2006

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2005**

**1. SUMMARY OF AUDITORS' RESULTS**

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

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

None

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

None



**Mary Taylor, CPA**  
Auditor of State

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

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 23, 2007**