

**COMMUNITY MENTAL HEALTH AND RECOVERY
BOARD OF LICKING & KNOX COUNTIES**

Basic Financial Statements – Cash Basis

December 31, 2008

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

Board of Trustees
Community Mental Health and Recovery
Board of Licking and Knox Counties
1435B West Main Street
Newark, Ohio 43055

We have reviewed the *Independent Auditors' Report* of the Community Mental Health and Recovery Board of Licking and Knox Counties, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Community Mental Health and Recovery Board of Licking and Knox Counties is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 24, 2009

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INDEPENDENT AUDITORS' REPORT

Community Mental Health and Recovery
Board of Licking & Knox Counties, Ohio
1435-B West Main Street
Newark, Ohio 43055

We have audited the accompanying financial statements of the governmental activities and each major fund of the Community Mental Health and Recovery Board of Licking and Knox Counties, Ohio (the Board) as of and for the year ended December 31, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions 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 opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of the Community Mental Health and Recovery Board of Licking and Knox Counties, Ohio, as of December 31, 2008, and the respective changes in cash basis financial position, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2009, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 5, 2009

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

The management's discussion and analysis of the Community Mental Health and Recovery Board of Licking and Knox Counties (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2008, within the limitation of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- Net assets of the Board's governmental activities increased \$164,518 from 2007, or 4%.
- General cash receipts accounted for \$11,358,236 or 67% of total governmental activities cash receipts. Program specific cash receipts accounted for \$5,673,016 or 33% of total governmental activities cash receipts. Total governmental activities cash receipts for 2008 were \$17,031,252.
- The Board had \$16,866,734 in cash disbursements related to governmental activities; \$5,673,016 of these cash disbursements was offset by program specific operating grants or contributions. The remaining cash disbursements of the governmental activities of \$11,193,718 were offset by general cash receipts (primarily property taxes and unrestricted grants and entitlements) of \$11,358,236.
- The Board's major governmental funds are the General and Capital Projects funds. The General fund had cash receipts of \$17,031,252 and cash disbursements of \$16,866,734. The net increase in fund balance for the General Fund was \$164,518 or 4%.
- The Capital Projects fund had no cash receipts or cash disbursements. The fund balance was \$7,115.

Using the Basic Financial Statements (BFS)

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

The Statement of Net Assets – Cash Basis and Statement of Activities - Cash Basis provide information about the activities of the Board as a whole, presenting both an aggregate view of the Board's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds.

Since the Board uses the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded on these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Reporting the Board as a Whole

Statement of Net Assets and the Statement of Activities

A general question typically asked about the Board's finances is "How did we do financially during 2008?" The Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis answers this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's cash receipts and cash disbursements if the cash is actually received or paid.

These two statements report the Board's net assets and changes in those assets on a cash basis. This change in net assets is important because it tells the reader that, for the Board as a whole, the cash position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Board's property tax base, current property tax laws in Ohio restricting revenue growth, changes in Medicaid funding, changes in required community programs and other factors.

In the Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis, the Board is consisted of the following types of activities:

Governmental activities – The Board's programs and services are reported here including alcohol and other drugs programs and mental health programs. These services are funded primarily by property taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the Board's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses two funds to account for financial transactions and has segregated these funds into major funds. Information for major funds is presented separately in the governmental fund financial statements. The Board's major governmental funds are the General and the Capital Projects funds.

Governmental Funds

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. For the Board, these funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Since the Board is reporting on the cash basis of accounting, there are no differences between net assets and fund balances or changes in net assets and changes in fund balances. Therefore, no such reconciliation is necessary between such financial statements.

The Board's budgetary process accounts for certain transactions on the cash basis. The budgetary statement for the General fund is presented to demonstrate the Board's compliance with annually adopted budgets. Differences arising between the changes in fund balances presented on the fund financial statements and fund balances on the budgetary statements are attributed to outstanding encumbrances at year end.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

The Board as a Whole

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Board as a whole.

The table below provides a summary of the Board's net assets for 2008 and a comparison of 2007.

	<u>Net Assets</u>	
	<u>2008</u>	<u>2007</u>
Assets		
Cash with Fiscal Agent	<u>\$4,763,520</u>	<u>\$4,599,002</u>
Total Assets	<u>\$4,763,520</u>	<u>\$4,599,002</u>
Net Assets		
Restricted	\$ 7,115	\$ 7,115
Unrestricted	<u>4,756,405</u>	<u>4,591,887</u>
Total Net Assets	<u>\$4,763,520</u>	<u>\$4,599,002</u>

Net assets of the Board's governmental activities increased \$164,518 from 2007, or 4%.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

The table below provides a summary of changes in the Board's net assets for 2008 in comparison to 2007.

	Change in Net Assets	
	<u>2008</u>	<u>2007</u>
Cash Receipts:		
Program cash receipts:		
Operating grants and contributions	\$ <u>5,673,016</u>	\$ <u>4,911,232</u>
Total program cash receipts	<u>5,673,016</u>	<u>4,911,232</u>
General Cash Receipts:		
Property taxes	4,152,204	4,498,201
Unrestricted grants and entitlements	7,043,555	6,607,463
Reimbursements	<u>162,477</u>	<u>57,055</u>
Total general cash receipts	<u>11,358,236</u>	<u>11,162,719</u>
Total Cash Receipts	<u>\$17,031,252</u>	<u>\$16,073,951</u>
Cash disbursements:		
Salaries	359,111	375,764
Supplies	10,522	14,748
Unemployment	-	6,174
Equipment/Maintenance	27,679	30,198
Agencies Contract Services	12,903,962	12,677,906
Grants	317,094	391,302
Rentals	38,239	34,236
Utilities/Phone	23,488	23,253
Travel and Board Expense	7,478	9,901
Public/Employees Retirement	50,046	53,366
Workers Compensation	7,379	7,807
Hospitalization	51,775	79,714
Medicare	5,103	5,247
Printing/Marketing	36,163	41,526
Medicaid Out of County Services	2,425,933	1,424,375
Professional Services	463,290	302,173
Other	<u>139,472</u>	<u>98,832</u>
Total cash disbursements	<u>16,866,734</u>	<u>15,576,522</u>
Change in net cash assets	164,518	497,429
Net cash assets at beginning of year	<u>4,599,002</u>	<u>4,101,573</u>
Net cash assets at end of year	<u>\$ 4,763,520</u>	<u>\$ 4,599,002</u>

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Agency Contract Services, which consists of payments to provider agencies, accounted for \$12,903,962 of the total cash disbursements of the Board. These services were offset by \$5,673,016 in operating grants and contributions. General cash receipts totaled \$11,358,236 and amounted to 67% of total cash receipts. General cash receipts primarily consist of property taxes, unrestricted grant entitlements, and reimbursement receipts.

Property tax receipts decreased \$345,997 from 2007 primarily due to the loss of tangible personal property taxes which have been phased out since 2006 and will complete the phase out in 2009. In comparing 2007 and 2008, tangible personal property tax receipts decreased by approximately \$266,000. To balance the decrease in property tax receipts, unrestricted grant entitlements increased by \$436,092. Unrestricted grant entitlements include receipts from state sources including state grants from the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) as well as homestead and rollback and state reimbursements for tangible personal property tax loss due to phase out. The Board will continue to receive increases in state sources from the tangible personal property tax loss through the year 2018.

Principal retirement of debt service of \$12,437 is reported as Grants cash disbursements because repayments are made via reductions of amounts paid to the agency for services rendered. See Note 8 for the Debt footnote disclosure.

The Statement of Activities-Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen below, the Board is highly dependent upon property taxes as well as unrestricted grants and entitlements to support its governmental activities. The table below provides a summary of program cash receipts compared to total cash disbursements for 2008 in comparison to 2007.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements

	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>
Program Cash Disbursements				
Salaries	\$ 359,111	\$ 359,111	\$ 375,764	\$ 375,764
Supplies	10,522	10,522	14,748	14,748
Unemployment	-	-	6,174	6,174
Equipment/Maintenance	27,679	26,679	30,198	30,198
Agencies Contract Services	12,903,962	7,230,946	12,677,906	7,766,674
Grants	317,094	317,094	391,302	391,302
Rentals	38,239	38,239	34,236	34,236
Utilities/Phone	23,488	23,488	23,253	23,253
Travel and Board Expense	7,478	7,478	9,901	9,901
Public/Employees Retirement	50,046	50,046	53,366	53,366
Workers Compensation	7,379	7,379	7,807	7,807
Hospitalization	51,775	51,775	79,714	79,714
Medicare	5,103	5,103	5,247	5,247
Printing/Marketing	36,163	36,163	41,526	41,526
Medicaid Out of County Services	2,425,933	2,425,933	1,424,375	1,424,375
Professional Services	463,290	463,290	302,173	302,173
Other	<u>139,472</u>	<u>139,472</u>	<u>98,832</u>	<u>98,832</u>
Total cash disbursements	<u>\$16,866,734</u>	<u>\$11,193,718</u>	<u>\$15,576,522</u>	<u>\$10,665,290</u>

Financial Analysis of the Government's Funds

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

Governmental Funds

The Board's governmental funds are accounted for using the cash basis of accounting.

The Board's governmental funds reported a combined fund cash balance of \$4,763,520, which is \$164,518 higher than last year's combined total of \$4,599,002. The schedule below indicates the fund cash balance and the total change in fund cash balances as of December 31, 2008 and December 31, 2007, for all major governmental funds.

	<u>Fund Balances 12/31/08</u>	<u>Fund Balances 12/31/07</u>	<u>Increase</u>
Major funds:			
General	\$4,756,405	\$4,591,887	\$ 164,518
Capital Projects	<u>7,115</u>	<u>7,115</u>	<u>-</u>
Total	<u>\$4,763,520</u>	<u>\$4,599,002</u>	<u>\$ 164,518</u>

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Budgeting Highlights - General Fund

The Board's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Board's appropriations which are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the Board's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General fund. In the General fund, the actual cash receipts came in \$429,069 higher than they were in the final budget and actual budgetary cash disbursements were \$678,490 less than the amount in the final budget.

Capital Assets and Debt Administration

Capital Assets

The Board does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as cash disbursements.

Debt Administration

The Board had the following long-term obligations outstanding at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Main Place Note	\$173,638	\$179,625
River Valley Notes	<u>179,774</u>	<u>186,224</u>
Total	<u>\$353,412</u>	<u>\$365,849</u>

See Note 8 to the basic financial statements for more detail on the Board's long-term debt obligations.

Economic Conditions and Outlook

The receipts of the Board remain stagnant from the state and federal departments, with potential reductions. Although the Board replaced a ten year levy in State fiscal year 2008, those funds were designated prior to passage and the system will continue to struggle to increase allocations and services to its increased population. The Board contracts with nine provider agencies to deliver mental health and substance abuse services to the residents of Licking and Knox Counties. The Board will be challenged to maintain the current level of services and programs due to increased demands and potential reduction of funds. The Board and its administration must maintain careful financial planning and prudent fiscal management in order to continue to secure the safety net for its most vulnerable population. The Board, as well as others in the state, is facing the challenge of increased need for Medicaid match. This will potentially jeopardize the Board's ability to provide services at the needed level for non-Medicaid clients. In addition the Board's ability to assist agencies with continued increased cost may contribute to agencies having to reduce services due to there being no projected increases in revenues.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, and community with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Ms. Wendy Williams, Executive Director, Community Mental Health and Recovery Board of Licking and Knox Counties, 1435B West Main Street, Newark, Ohio 43055.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
LICKING AND KNOX COUNTIES**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008**

	<u>Governmental Activities</u>
Assets	
Cash with Fiscal Agent	<u>\$ 4,763,520</u>
<i>Total Assets</i>	<u><u>\$ 4,763,520</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 7,115
Unrestricted	<u>4,756,405</u>
<i>Total Net Assets</i>	<u><u>\$ 4,763,520</u></u>

See accompanying notes to the basic financial statements

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
LICKING AND KNOX COUNTIES**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash</u> <u>Receipts</u> Operating Grants and Contributions	<u>Net (Cash Disbursements)</u> <u>Cash Receipts and</u> <u>Changes in Net Assets</u> Governmental Activities
Governmental Activities			
Salaries	\$ 359,111	\$ -	\$ (359,111)
Supplies	10,522	-	(10,522)
Equipment/Maintenance	27,679	-	(27,679)
Agencies Contract Services	12,903,962	5,673,016	(7,230,946)
Grants	317,094	-	(317,094)
Rentals	38,239	-	(38,239)
Utilities/Phone	23,488	-	(23,488)
Travel and Board Expense	7,478	-	(7,478)
Public Employees Retirement	50,046	-	(50,046)
Workers Compensation	7,379	-	(7,379)
Hospitalization	51,775	-	(51,775)
Medicare	5,103	-	(5,103)
Printing/Marketing	36,163	-	(36,163)
Medicaid Out of County Services	2,425,933	-	(2,425,933)
Professional Services	463,290	-	(463,290)
Other	139,472	-	(139,472)
<i>Total Governmental Activities</i>	<u>\$ 16,866,734</u>	<u>\$ 5,673,016</u>	<u>(11,193,718)</u>
General Receipts:			
Property Taxes Levied for General Purposes			4,152,204
Entitlements - Unrestricted			7,043,555
Reimbursements			162,477
Total General Receipts			<u>11,358,236</u>
Change in Net Assets			164,518
Net Assets at Beginning of Year			<u>4,599,002</u>
Net Assets at End of Year			<u>\$ 4,763,520</u>

See accompanying notes to the basic financial statements

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
LICKING AND KNOX COUNTIES**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Capital Projects	Total Governmental Funds
Assets			
Cash with Fiscal Agent	\$ 4,756,405	\$ 7,115	\$ 4,763,520
<i>Total Assets</i>	<u>\$ 4,756,405</u>	<u>\$ 7,115</u>	<u>\$ 4,763,520</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$ 999,038	\$ -	\$ 999,038
Unreserved:			
General Fund	3,757,367	7,115	3,764,482
<i>Total Fund Balances</i>	<u>\$ 4,756,405</u>	<u>\$ 7,115</u>	<u>\$ 4,770,635</u>

See accompanying notes to the basic financial statements

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
LICKING AND KNOX COUNTIES**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Capital Projects	Total Governmental Funds
Cash Receipts:			
Property and Other Local Taxes	\$ 4,152,204	\$ -	\$ 4,152,204
Intergovernmental	12,716,571	-	12,716,571
Reimbursements	162,477	-	162,477
<i>Total Cash Receipts</i>	17,031,252	-	17,031,252
Cash Disbursements:			
Current:			
Salaries	359,111	-	359,111
Supplies	10,522	-	10,522
Equipment/Maintenance	27,679	-	27,679
Agencies Contract Services	12,903,962	-	12,903,962
Grants	317,094	-	317,094
Rentals	38,239	-	38,239
Utilities/Phone	23,488	-	23,488
Travel and Board Expense	7,478	-	7,478
Public Employees Retirement	50,046	-	50,046
Workers Compensation	7,379	-	7,379
Hospitalization	51,775	-	51,775
Medicare	5,103	-	5,103
Printing/Marketing	36,163	-	36,163
Medicaid Out of County Services	2,425,933	-	2,425,933
Professional Services	463,290	-	463,290
Other	139,472	-	139,472
<i>Total Cash Disbursements</i>	16,866,734	-	16,866,734
<i>Net Change in Fund Balances</i>	164,518	-	164,518
<i>Fund Balances Beginning of Year</i>	4,591,887	7,115	4,599,002
<i>Fund Balances End of Year</i>	\$ 4,756,405	\$ 7,115	\$ 4,763,520

See accompanying notes to the basic financial statements

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
LICKING AND KNOX COUNTIES**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Budgetary Basis Receipts:				
Property and Other Local Taxes	\$ 4,047,597	\$ 4,047,597	\$ 4,152,204	\$ 104,607
Intergovernmental	12,396,202	12,396,202	12,716,571	320,369
Reimbursements	158,384	158,384	162,477	4,093
<i>Total Budgetary Basis Receipts</i>	<u>16,602,183</u>	<u>16,602,183</u>	<u>17,031,252</u>	<u>429,069</u>
Budgetary Basis Disbursements:				
Current:				
Salaries	440,824	440,824	389,111	51,713
Supplies	12,028	12,028	12,028	-
Equipment/Maintenance	37,985	37,985	37,985	-
Agencies Contract Services	13,917,201	13,917,201	13,695,632	221,569
Grants	603,224	603,224	424,905	178,319
Rentals	38,435	38,435	38,435	-
Utilities/Phone	29,355	29,355	29,047	308
Travel and Board Expense	23,894	23,894	11,884	12,010
Public Employees Retirement	61,435	61,435	50,046	11,389
Workers Compensation	7,379	7,379	7,379	-
Hospitalization	76,932	76,932	51,775	25,157
Medicare	6,363	6,363	5,103	1,260
Unemployment	6,703	6,703	-	6,703
Printing/Marketing	36,163	36,163	36,163	-
Medicaid Out of County Services	2,525,933	2,525,933	2,425,933	100,000
Professional Services	463,290	463,290	463,290	-
Other	257,118	257,118	187,056	70,062
<i>Total Budgetary Basis Disbursements</i>	<u>18,544,262</u>	<u>18,544,262</u>	<u>17,865,772</u>	<u>678,490</u>
<i>Net Change in Fund Balance</i>	(1,942,079)	(1,942,079)	(834,520)	1,107,559
<i>Fund Balance at Beginning of Year</i>	3,073,154	3,073,154	3,073,154	-
Prior Year Encumbrances Appropriated	1,518,733	1,518,733	1,518,733	-
<i>Fund Balance at End of Year</i>	<u>\$ 2,649,808</u>	<u>\$ 2,649,808</u>	<u>\$ 3,757,367</u>	<u>\$ 1,107,559</u>

See accompanying notes to the basic financial statements

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 1 – Reporting Entity

The Community Mental Health and Recovery Board of Licking and Knox Counties, Ohio (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is made up of eighteen members and provides alcohol, drug addiction, and mental health services and programs to citizens of Knox and Licking counties. These services are provided primarily through contracts with private and public agencies.

A. Primary Government

A reporting entity is comprised of the primary government, component units and other organizations included in ensuring that the basic financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Board.

B. Component Units

Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable for an organization if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organization's resources; the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Board is obligated for the debt of the organization. The Board is also financially accountable for any organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Board, are accessible to the Board and are significant in amount to the Board. The Board does not have any component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on the cash basis of accounting as permitted by the Auditor of State. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The following are the more significant of the Board's accounting policies.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Accounting

The Board's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Board are described in the appropriate section in this note.

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

B. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The Board's statements are presented as governmental activities, and are generally financed through taxes, intergovernmental receipts, or other nonexchange transactions.

The statement of net assets presents the financial position of the Board at year end. The statement of activities compares cash disbursements with program cash receipts for each of the Board's governmental activities. Cash disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program cash receipts, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Board's general cash receipts.

Fund Financial Statements

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental fund financial statements is on major funds.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Board did not present any nonmajor funds for the year ended 2008. The Board had two major funds for the year ended 2008 which are described below.

C. Fund Accounting

The Board uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Board are categorized as governmental funds.

Governmental Funds

The Board classifies funds financed primarily from taxes, intergovernmental cash receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Board's major governmental funds are the General fund and the Capital Projects fund.

General - The General fund is used to account for all financial resources, except those required to be accounted for in another fund. The General fund balance is available to the Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Projects - The Capital Projects fund is used to account for Board improvements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board may appropriate.

The appropriations ordinance is the Board's authorization to spend resources and set limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established at the fund, function, and object level.

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

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

E. Cash with Fiscal Agent

As required by Ohio Revised Code, the Licking County Treasurer is custodian for the Board's cash and serves as fiscal agent. The Board's cash is held in Licking County's cash and investment pool, and is valued at the County Treasurer's carrying amount.

For the purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. The Board values investments and cash equivalents at cost.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Board did not report any restricted assets at December 31, 2008.

G. Inventory and Prepaid Items

The Board reports cash disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Board reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. There were no outstanding advances at December 31, 2008.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, 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.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

The Board's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay disbursement is reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Board did not have net assets restricted by enabling legislation.

N. Fund Balance Reserves/Fund Designations

The Board reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. No monies were designated by the Board during 2008. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers between governmental fund financial statements are reported in the same manner as general cash receipts.

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating cash receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. There were no interfund transactions during 2008.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Board had no extraordinary or special items during 2008.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances). The encumbrances outstanding at year end (budgetary basis) amounted to \$999,038 for the General fund.

Note 4 – Deposits with fiscal agent

The Licking County Treasurer serves as the fiscal agent for the Board and is responsible for investing funds in active, inactive and interim deposits.

The Ohio Revised Code restricts deposits and investments to the following:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 4 – Deposits with fiscal agent (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

In addition, authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if ORC training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Board, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits with fiscal agent

Custodial credit risk is the risk that in the event of bank failure, the Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Licking County Treasurer serves as the fiscal agent for the Board and the investments of Licking County funds, including the Board's cash. The Board maintains no control over the investment of its cash. At December 31, 2008, the carrying amount of the Board's deposits was \$4,763,520.

The Board relies on the Licking County Treasurer to monitor interest rate, credit and concentration of credit risk associated with the Board's deposits.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 5 – Property Taxes (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 6.25 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments for inventory, including machinery and equipment, were 12.5 percent. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009.

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

Note 6 – Risk Management

The Board is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. The Board has obtained commercial insurance for the following risks:

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

There have been no significant reductions in insurance coverages during the fiscal year 2008. Settled claims have not exceeded commercial excess coverages in any of the past three years.

Note 7 – Ohio Public Employees Retirement System

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS provides retirement, disability, survivor and death benefits, as well as post-employment health care coverage to qualifying members. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

A. Pension Plans

OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multi-employer defined benefit plan; the Member-Directed Plan – a defined contribution plan in which employer contributions vest over five years at 20 percent per year; and the Combined Plan – a cost-sharing, multi-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. Law enforcement and public safety divisions exist only within the traditional plan.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 7 – Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three pension plans. The 2008 member contribution rates were 10.0 percent for members in state and local classifications and 10.1 percent for those in the public safety and law enforcement classifications. The 2008 employer contribution rate for state and local employers was 14.0 percent of covered payroll and 17.4 percent for those in the law enforcement and public safety divisions.

The rates stated above are the contractually required contribution rates for OPERS. The Board's contributions to OPERS for the years ending December 31, 2008, 2007 and 2006, were \$35,911, \$36,605 and \$40,087 respectively, equal to the required contributions for each year.

B. Post Employment Benefits

OPERS maintains a cost-sharing, multi-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.4 percent. The ORC currently limits the employer contributions to a rate not to exceed 14.0 percent of covered payroll for state and local employer units and 18.1 percent for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 7 – Ohio Public Employees Retirement System (Continued)

The portion of the Board’s contributions that was used to fund post-employment benefits for the years ending December 31, 2008, 2007 and 2006, was \$25,023, \$21,392 and \$28,061 respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 8 – Debt

The Board’s long-term debt activity for the year ended December 31, 2008, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance at December 31, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2008</u>	<u>Due Within One Year</u>
1995 River Valley Note	0%	\$127,575	\$ -	\$ (4,725)	\$122,850	\$ 4,725
1998 Main Place Note	0%	179,625	-	(5,987)	173,638	5,987
2001 River Valley Note	0%	<u>58,649</u>	<u>-</u>	<u>(1,725)</u>	<u>56,924</u>	<u>1,725</u>
Total Long-Term Debt		<u>\$365,849</u>	<u>\$ -</u>	<u>\$(12,437)</u>	<u>\$353,412</u>	<u>\$12,437</u>

The terms of the mortgages are 40 year loans with fixed amounts to be amortized annually. The mortgages represent capital grants provided by ODMH to the Board.

The properties purchased with the grants are used to provide grant program services; therefore, for each year the property is used in this manner, the fixed payment is amortized based on an amortization schedule provided by ODMH. If the Board ceased to use the property for program services, the remaining unamortized balance would be due to ODMH and the Board would be liable for the payment. The Board does not anticipate a change in the use of these properties.

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The following is a summary of the Board's future annual debt service requirements:

<u>Year</u>	<u>1995</u>	<u>1998</u>	<u>2001</u>
	<u>River Valley Note</u>	<u>Main Place Note</u>	<u>River Valley Note</u>
	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>
2009	\$ 4,725	\$ 5,987	\$ 1,725
2010	4,725	5,987	1,725
2011	4,725	5,987	1,725
2012	4,725	5,987	1,725
2013	4,725	5,987	1,725
2014 – 2018	23,625	29,938	8,625
2019 – 2023	23,625	29,938	8,625
2024 – 2028	23,625	29,938	8,625
2029 – 2033	23,625	29,938	8,625
2034 – 2038	4,725	23,951	8,625
2039 – 2041	-	-	5,174
Totals	<u>\$122,850</u>	<u>\$173,638</u>	<u>\$56,924</u>

Note 9 – Recovery of Advances

To alleviate cash flow issues at the provider agencies, the Board may make advances to the provider agency for services to be rendered. When advances cannot be covered by services provided in the same year, plans may be implemented and/or outstanding balances are placed on contingency for future services. Methods of recovery included cash payments to the Board from the provider agency, or the provider agency could provide verification that services were rendered by the provider agency that were not previously reimbursed by the Board.

Moundbuilders Guidance Center (MGC) received no advances during 2008.

Balances owed to the Board as of December 31, 2008 are as follows:

<u>Agency</u>	<u>Balance at 12/31/2007</u>	<u>New Advances</u>	<u>Amounts Recovered</u>	<u>Balance at 12/31/2008</u>
MGC	\$1,438,580	-	-	\$1,438,580

**COMMUNITY MENTAL HEALTH AND RECOVERY BOARD
OF LICKING AND KNOX COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 10 – Contingent Liabilities

A. Grants

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Board at December 31, 2008.

B. Litigation

The Board is involved in various legal proceedings arising in the ordinary course of business. In the opinion of management, although the outcome of any legal proceedings cannot be predicted, the ultimate liability of the Board in connection with its legal proceedings will not have a material adverse effect on the financial position or activities of the Board.

Note 11 – Related Party Transactions

The Board has allowed The Main Place, a provider agency of the Board, to use a building free of rent since September 1986. Additionally, as of February 2007, the Board leases to The Main Place a house which is used for program participants. The lease arrangement required The Main Place to establish a property repair account within their general ledger which they are to deposit \$200 per month for the first year of the lease and \$250 per month for all subsequent years of the lease. These funds are restricted and may only be used for related property expenses.

The Board has allowed the River Valley facility to use a building free of rent since November 1995. River Valley is a resident complex that Moundbuilders Guidance Center, a provider agency of the Board, uses to house program participants.

Note 12 - Operating Leases

The Board currently leases various office space and equipment including communication equipment and copiers. The terms of noncancellable leases vary from 36 months up to 60 months and began on various dates. Future minimum payments are as follows:

<u>For the Year Ending</u>	<u>Amount</u>
2009	\$ 3,885

Lease expense for the year ending December 31, 2008 totaled \$38,084.

Community Mental Health and Recovery Board
of Licking and Knox Counties
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

<u>Federal Grantor/Pass-Through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Year</u>	<u>Pass Through Number</u>	<u>Expenditure</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>				
<i>Passed through Ohio Department of Alcohol and Drug Addiction Services:</i>				
Safe and Drug-Free Schools and Communities State Grants	84.186	2008	COME-ADA-WPO73B	\$ <u>151,026</u>
Total U.S. Department of Education				<u>151,026</u>
<u>U.S. DEPARTMENT OF HUMAN SERVICES:</u>				
<i>Passed through Ohio Department of Mental Health:</i>				
Promoting Safe and Stable Families				
FAST \$		2008	26-CS-06-02	34,972
Incredible Years		2008	29-CS-07-01	<u>9,829</u>
Total Promoting Safe and Stable Families	93.556			44,801
Network of Care	93.243	2008	26-TSIG-017-01	18,215
Block Grants:				
Community Plan BG		2008	BG-26-06	75,461
Child/Adolescent BG		2008	BG-26-06	16,167
Stategic Planning (TMP)		2008	26-AD-07-01	<u>1,600</u>
Total Block Grants	93.958			93,228
Social Services Block Grants:				
Medicaid	93.778	2007	MC-26-06	3,218,572
CHIPS Mental Health	93.767	2007	MC-26-06	171,270
Title XX	93.667	2007	MH-26-06	<u>113,082</u>
Total Social Services Block Grant				3,502,924
<i>Total Passed through Ohio Department of Mental Health:</i>				<u>3,659,168</u>
<i>Passed through Ohio Department of Alcohol and Drug Addiction:</i>				
Block Grants:				
Women's Federal		2008	COME-ADA-WPO73B	177,646
SAPT Per Capital Treatment		2008	45-45506	507,052
SAPT Per Capital Prevention		2008	45-45506	175,995
Prevention Svs. (Big Buddy)		2008	COME-ADA-WPO73B	38,970
Community Prevention - Wellness		2008	COME-ADA-WPO73B	<u>60,666</u>
Total Block Grants	93.959			960,329
Social Services Block Grants:				
Medicaid	93.778	2007	MC-26-06	450,007
CHIPS Mental Health	93.767	2007	MC-26-06	<u>19,290</u>
Total Social Services Block Grant				469,297
<i>Total Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>				<u>1,429,626</u>
Total U.S. Department of Health and Human Services				<u>5,088,794</u>
TOTAL FEDERAL AWARD EXPENDITURES				\$ <u>5,239,820</u>

See accompanying notes to the schedule of expenditures of federal awards

1. Significant Accounting Policies

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

2. Subrecipients

The Board passes through certain federal assistance received from the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and the Ohio Department of Mental Health (ODMH) to other governments or not-for-profit agencies (subrecipients). As described in Note 1 above, 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 OMB 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.

3. Matching Requirements

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

4. Multiple Federal Programs Pass Through Agencies

OMB Circular A-133 requires the total federal awards expended for each individual federal program and CFDA number be presented when such federal expenditures are passed through multiple agencies or other identifying information is not available. During 2008, the Board received funding under the same federal program which was passed through both ODADAS and ODMH. The total expenditures for these programs are as follows:

Program	CFDA Number	Passed Through ODMH	Passed Through ODADAS	Total Program Expenditures
Medicaid	93.778	\$ 3,218,572	\$ 450,007	\$ 3,668,579
CHIPS Mental Health	93.767	171,270	19,290	190,560

**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**

Community Mental Health and Recovery
Board of Licking & Knox Counties, Ohio
1435-B West Main Street
Newark, Ohio 43055

We have audited the financial statements of the governmental activities and each major fund of the Community Mental Health and Recovery Board of Licking & Knox Counties, Ohio (the Board), as of and for the year ended December 31, 2008, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 5, 2009, in which it was noted the Board prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

This report is intended for the information of the Board, management, the Auditor of State, 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.

A handwritten signature in cursive script that reads "Clark, Schufer, Hachett & Co.".

Springfield, Ohio
June 5, 2009

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

Community Mental Health and Recovery
Board of Licking & Knox Counties, Ohio
1435-B West Main Street
Newark, Ohio 43055

Compliance

We have audited the compliance of the Community Mental Health and Recovery Board of Licking & Knox Counties, 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, 2008. 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 each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 are applicable to each of its major federal programs for the year ended December 31, 2008.

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 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, 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 Board's internal control over compliance.

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A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of 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 that might be 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 for the information of the Board, management, the Auditor of State, 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 5, 2009

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None Noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None Noted
Noncompliance material to financial statements noted?	None Noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None Noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None Noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None Noted
Identification of major programs: CFDA 93.778 – Title XIX Medicaid	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

There were no audit findings noted in the prior audit.



Mary Taylor, CPA
Auditor of State

COMMUNITY MENTAL HEALTH AND RECOVERY BOARD OF LICKING AND KNOX COUNTIES
LICKING 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
JULY 7, 2009