

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

ALLEN COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2008

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



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 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 Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 9, 2009

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

AUDIT REPORT
For the year ended December 31, 2008

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, (the Board), as of and for the year ended December 31, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Charles E. Harris & Associates, Inc.

June 30, 2009

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

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

As management of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties (the Board), we are providing this overview of the Board's financial activities for the year ended December 31, 2008. Please read this overview in conjunction with the Board's basic financial statements, which follow.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2008 are as follows:

- Net assets decreased \$(285,553). This was due in part to grant expenditures being slightly less than the prior year in the other governmental funds.
- General receipts accounted for \$1,853,712 in receipts or 18 percent of all receipts. Program specific receipts in the form of charges for services, grants and contributions accounted for \$8,501,334 or 82 percent of total receipts of \$10,355,046.
- The Board had \$10,640,599 in disbursements related to governmental activities; only \$8,501,334 of these disbursements were offset by program specific grants and contributions. General receipts of \$1,853,712 and the carryover balance were adequate to provide for these programs.
- The Board transferred \$1,293,178 from the General Fund to the Capital Projects Fund to pay for upcoming projects.
- The Board advanced \$1,057,487 from the General Fund to various Special Revenue Funds to cover deficits.
- As of the close of 2008, The Board's governmental funds reported combined ending fund balances of \$4,650,029.
- At the close of the 2008, unreserved fund balance was \$2,929,268.
- As of the close of 2008, the Board had accumulated deposit amounts totaling \$4,650,029.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Basis of Accounting

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

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

REPORTING THE BOARD AS A WHOLE

The statement of net assets and the statement of activities reflect how the Board did financially during 2008, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balances of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

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

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

REPORTING THE HEALTH DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements - Fund financial statements provide detailed information about the Board's major funds – not the Board as a whole. The Board establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the Board are governmental.

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

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

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

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

The Board maintains 31 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all four major funds. The basic governmental fund financial statements can be found starting on page 12 of this report.

Notes To The Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 18 of this report.

THE BOARD AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Board as a whole. Table 1, below, provides a summary of the Board's net assets for 2008 compared to 2007.

**Table 1
Net Assets – Cash Basis**

	Governmental Activities	
	2008	2007
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,650,030	\$4,935,582
Net Assets		
Restricted for:		
Budget Stabilization	\$0	\$1,661,060
Other Purposes	814,941	675,575
Capital Outlay	1,190,255	55,723
Unrestricted	2,644,834	2,543,224
Total Net Assets	\$4,650,030	\$4,935,582

Total assets decreased \$285,553.

Table 2 shows the changes in net assets for the year ended December 31, 2008. The Board has prepared financial statements following the format prescribed by GASB Statement 34, receipts and disbursement comparison to year 2007 is presented.

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

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

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2008	2007
Receipts		
Program Cash Receipts		
Operating Grants and Contributions	\$8,445,063	\$8,640,716
Charges for Services	56,272	56,724
Capital Grants and Contributions	0	30,000
Total Program Cash Receipts	8,501,335	8,727,440
General Receipts		
Property Taxes	1,557,589	1,620,417
Intergovernmental	166,819	134,863
Contributions	655	1,407
Rent	55,000	57,501
Other Receipts	73,649	72,878
Total General Receipts	1,853,712	1,887,066
Total Receipts	10,355,047	10,614,506
Disbursements		
Environmental Health		
General Government	980,919	762,947
Health Services	9,493,992	9,144,891
Employee Benefits	165,688	171,604
Total Disbursements	10,640,599	10,079,442
Change in Net Assets	(285,552)	535,064
Net Assets Beginning of Year	4,935,582	4,400,518
Net Assets End of Year	\$4,650,030	\$4,935,582

In 2008, 18 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 82 percent of the Board's total receipts in year 2008. In 2007, 15 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and intergovernmental revenue. Program cash receipts accounted for 85 percent of the Board's total receipts in year 2007. Medicaid and its matching funds, federal operating grants, and state funds awarded for specific programs or purposes primarily make up these receipts.

Total Cost versus Net Cost of Services

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. The “net cost” amount represents the cost of those services supported by property tax receipts and intergovernmental revenues. Comparisons to 2007 have been presented.

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

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

Table 3

Functions/Program	2008 Total Cost of Services	2008 Net Cost of Services
Governmental Activities:		
Health Services	\$9,493,992	\$2,139,265
General Government	980,919	0
Employee Benefits	165,688	0
Total Governmental Activities	<u>\$10,640,599</u>	<u>\$2,139,265</u>

Table 3

Functions/Program	2007 Total Cost of Services	2007 Net Cost of Services
Governmental Activities:		
Health Services	\$9,144,891	\$1,377,757
General Government	762,947	(25,755)
Employee Benefits	171,604	0
Total Governmental Activities	<u>\$10,079,442</u>	<u>\$1,352,002</u>

The Board's reliance upon intergovernmental revenues, property tax receipts, and other general revenues is apparent as 20 percent of governmental activities are supported through these general receipts for 2008.

THE BOARD'S FUNDS

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

As of the end of 2008, the Board's governmental funds reported combined ending fund balances of \$4,650,030, a decrease of (\$285,552).

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008:

	Fund Balance 12/31/2008	Fund Balance 12/31/2007	Increase (Decrease)
General	\$2,644,834	\$5,002,398	(\$2,357,564)
505 State Fund	\$183,771	\$173,742	\$10,029
408 State Fund	\$60,149	(\$217,997)	\$278,146
Medicaid MH	\$2,879	(\$162,387)	\$165,266
Other	\$568,142	\$84,103	\$484,039
Capital Projects	<u>\$1,190,255</u>	<u>\$55,723</u>	<u>\$1,134,532</u>
Total	<u>\$4,650,030</u>	<u>\$4,935,582</u>	<u>(\$285,552)</u>

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

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

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

GENERAL FUND BUDGETARY INFORMATION

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

During the course of 2008, The Board amended its general fund budget throughout the year. For the general fund, original budgeted receipts were \$1,837,883 and final budgeted receipts were \$1,837,883. Actual receipts for fiscal year 2008 was \$1,840,005. This represents a \$2,122 increase over final budgeted receipts.

General fund original appropriations (appropriated expenditures) were \$1,332,481 and final budgeted appropriations were \$1,932,581. The actual budget basis expenditures 2008 totaled \$1,846,904, which was \$85,677 less than the final budget appropriations.

CAPITAL RENOVATIONS

The Board has been awarded Capital funding in the form of two grants directly from the Ohio Department of Mental Health for property renovations at 799 S. Main St, Lima, Ohio in the amount of \$200,000 per facility. These funds were not yet received in 2008.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

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

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

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

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

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

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

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

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

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

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

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

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

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

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,650,030</u>
Total Assets	<u>\$ 4,650,030</u>
Net Assets	
Restricted for:	
Other Purposes	\$ 814,941
Capital Outlay	1,190,255
Unrestricted	<u>2,644,834</u>
Total Net Assets	<u>\$ 4,650,030</u>

See accompanying notes to the basic financial statements

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

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

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Changes in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Health Services:				
Contract - Services	\$ 9,493,992	\$ 56,272	\$ 7,298,455	\$ (2,139,265)
General Government:				
Salaries	341,826	-	341,826	-
Advertising and Printing	46,134	-	46,134	-
Professional Services	151,166	-	151,166	-
Supplies	8,281	-	8,281	-
Postage and Shipping	1,023	-	1,023	-
Communications	15,118	-	15,118	-
Dues	19,851	-	19,851	-
Rentals	50,370	-	50,370	-
Utilities	6,331	-	6,331	-
Maintenance	24,997	-	24,997	-
Insurance	12,951	-	12,951	-
Travel and Training	39,724	-	39,724	-
Buildings/Equipment	142,640	-	142,640	-
Other Exp.	88,741	-	88,741	-
Reimbursements	31,766	-	31,766	-
Employee Benefits:				
Public Employee's Retirement	81,628	-	81,628	-
Health Insurance	71,300	-	71,300	-
Life Insurance	1,595	-	1,595	-
Medicare	4,947	-	4,947	-
Workers' Comp.	6,218	-	6,218	-
Total Governmental Activities	\$ 10,640,599	\$ 56,272	\$ 8,445,062	(2,139,265)

General Revenues:

Taxes	1,557,589
Intergovernmental Revenue	166,819
Contributions	655
Rent Income	55,000
Other	73,650
Total General Revenues	1,853,713
Change in Net Assets	(285,552)
Net Assets - Beginning of Year	4,935,582
Net Assets - End of Year	\$ 4,650,030

See accompanying notes to the basic financial statements

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

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

	Governmental Fund Types					Other Governmental Funds	Total Governmental Funds
	General	Mental Health Systems	Community Mental Health Services	Medicaid Mental Health	Capital Projects		
ASSETS							
Equity in Pooled Cash and Cash Equivalents	\$ 2,644,834	\$ 183,771	\$ 60,149	\$ 2,879	\$ 1,190,255	\$ 568,142	\$ 4,650,030
Total Assets	<u>\$ 2,644,834</u>	<u>\$ 183,771</u>	<u>\$ 60,149</u>	<u>\$ 2,879</u>	<u>\$ 1,190,255</u>	<u>\$ 568,142</u>	<u>\$ 4,650,030</u>
FUND BALANCES							
Unreserved:							
Designated for Budget Stabilization	\$ 1,720,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,720,762
Undesignated, Reported in:							
General Fund	924,072	-	-	-	-	-	924,072
Special Revenue Funds	-	183,771	60,149	2,879	-	568,142	814,941
Capital Project Fund	-	-	-	-	1,190,255	-	1,190,255
Total Fund Balances	<u>\$ 2,644,834</u>	<u>\$ 183,771</u>	<u>\$ 60,149</u>	<u>\$ 2,879</u>	<u>\$ 1,190,255</u>	<u>\$ 568,142</u>	<u>\$ 4,650,030</u>

See accompanying notes to the basic financial statements

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

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

	Governmental Fund Types						Totals (Memorandum Only)
	General	Mental Health Systems	Community Mental Health Services	Medicaid Mental Health	Capital Projects	Other Governmental Funds	
RECEIPTS:							
Taxes	\$ 1,557,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,557,589
Grants	-	1,457,278	2,896,944	1,669,281	-	2,421,560	8,445,063
Intergovernmental Revenue	166,819	-	-	-	-	-	166,819
Charges for Services	56,272	-	-	-	-	-	56,272
Contributions	655	-	-	-	-	-	655
Rent	-	-	-	-	-	55,000	55,000
Other	58,670	-	9,025	-	-	5,954	73,649
Total Cash Receipts	1,840,005	1,457,278	2,905,969	1,669,281	-	2,482,514	10,355,047
DISBURSEMENTS:							
Current Operations:							
Health Services:							
Contract - Services	1,623,725	904,089	2,939,133	1,672,213	-	2,354,832	9,493,992
General Government:							
Salaries	-	253,989	-	-	-	87,837	341,826
Advertising and Printing	26,573	3,893	-	-	1,599	14,069	46,134
Professional Services	88,810	18,363	10,200	-	15,938	17,855	151,166
Supplies	1,139	7,142	-	-	-	-	8,281
Postage and Shipping	-	1,023	-	-	-	-	1,023
Communications	5,850	9,268	-	-	-	-	15,118
Dues	2,500	17,351	-	-	-	-	19,851
Rentals	284	50,006	-	-	-	80	50,370
Utilities	-	3,576	-	-	2,449	306	6,331
Maintenance	-	14,701	-	-	-	10,296	24,997
Insurance	-	8,216	-	-	-	4,735	12,951
Travel and Training	19,512	18,712	-	-	-	1,500	39,724
Buildings/Equipment	2,500	12,152	-	-	126,012	1,976	142,640
Other Exp.	76,011	-	-	-	12,648	82	88,741
Reimbursements	-	-	-	31,117	-	649	31,766
Employee Benefits:							
Public Employee's Retirement	-	60,530	-	-	-	21,098	81,628
Life Insurance	-	1,595	-	-	-	-	1,595
Health Insurance	-	58,605	-	-	-	12,695	71,300
Medicare	-	4,038	-	-	-	909	4,947
Workers' Comp.	-	-	-	-	-	6,218	6,218
Total Cash Disbursements	1,846,904	1,447,249	2,949,333	1,703,330	158,646	2,535,137	10,640,599
Total Receipts Over/(Under) Disbursements	(6,899)	10,029	(43,364)	(34,049)	(158,646)	(52,623)	(285,552)
Other Financing Receipts/(Disbursements):							
Advances In	-	-	321,510	199,315	-	536,662	1,057,487
Advances (Out)	(1,057,487)	-	-	-	-	-	(1,057,487)
Transfers (Out)	(1,293,178)	-	-	-	-	(33,712)	(1,326,890)
Transfers In	-	-	-	-	1,293,178	33,712	1,326,890
Total Other Financing Receipts/(Disbursements)	(2,350,665)	-	321,510	199,315	1,293,178	536,662	-
Net Change in Fund Balance	(2,357,564)	10,029	278,146	165,266	1,134,532	484,039	(285,552)
Fund Cash Balances, January 1, 2008	5,002,398	173,742	(217,997)	(162,387)	55,723	84,103	4,935,582
Fund Cash Balances, December 31, 2008	\$ 2,644,834	\$ 183,771	\$ 60,149	\$ 2,879	\$ 1,190,255	\$ 568,142	\$ 4,650,030

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original Budget	Final Budget	Actual	
REVENUES:				
Taxes	\$ 1,779,502	\$ 1,779,502	\$ 1,557,589	\$ (221,913)
Grants	250	250	-	(250)
Intergovernmental Revenue	-	-	166,819	166,819
Charges for Services	56,724	56,724	56,272	(452)
Contributions	1,407	1,407	655	(752)
Other	-	-	58,670	58,670
Total Cash Receipts	1,837,883	1,837,883	1,840,005	2,122
DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	1,201,559	1,801,559	1,623,725	177,834
General Government:				
Advertising and Printing	25,744	25,744	26,573	(829)
Professional Services	70,529	70,529	88,810	(18,281)
Supplies	1,485	1,485	1,139	346
Communications	5,400	5,400	5,850	(450)
Dues	2,200	2,200	2,500	(300)
Rentals	-	-	284	(284)
Maintenance	120	120	-	120
Travel and Training	25,444	25,444	19,512	5,932
Buildings/Equipment	-	-	2,500	(2,500)
Other Exp.	-	100	76,011	(75,911)
Total Cash Disbursements	1,332,481	1,932,581	1,846,904	85,677
Total Receipts Over/(Under) Disbursements	505,402	(94,698)	(6,899)	(83,555)
Other Financing Receipts/(Disbursements):				
Advances (Out)	-	-	(1,057,487)	(1,057,487)
Transfers (Out)	-	(1,150,000)	(1,293,178)	(143,178)
Total Other Financing Receipts/(Disbursements)	-	(1,150,000)	(2,350,665)	(1,200,665)
Net Change in Fund Balance	505,402	(1,244,698)	(2,357,564)	(1,112,866)
Fund Cash Balances, January 1, 2008	5,002,398	5,002,398	5,002,398	-
Fund Cash Balances, December 31, 2008	\$ 5,507,800	\$ 3,757,700	\$ 2,644,834	\$ (1,112,866)

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MENTAL HEALTH SYSTEMS STATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

REVENUES:	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original Budget	Final Budget	Actual	
Grants	\$ 1,426,267	\$ 1,621,267	\$ 1,457,278	\$ (163,989)
Other	84	84	-	(84)
Total Cash Receipts	1,426,351	1,621,351	1,457,278	(164,073)
 DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	919,970	1,269,967	904,089	365,878
General Government:				
Salaries	202,737	202,737	253,989	(51,252)
Advertising and Printing	3,964	3,964	3,893	71
Professional Services	21,905	21,905	18,363	3,542
Supplies	6,875	6,875	7,142	(267)
Postage and Shipping	1,000	1,000	1,023	(23)
Communications	8,481	8,481	9,268	(787)
Dues	17,482	17,482	17,351	131
Rentals	40,034	40,034	50,006	(9,972)
Utilities	3,549	3,549	3,576	(27)
Maintenance	10,647	10,647	14,701	(4,054)
Insurance	4,332	4,332	8,216	(3,884)
Travel and Training	19,264	19,264	18,712	552
Buildings/Equipment	10,982	10,982	12,152	(1,170)
Employee Benefits:				
Public Employee's Retirement	85,557	85,557	60,530	25,027
Life Insurance	1,212	1,212	1,595	(383)
Health Insurance	73,240	73,240	58,605	14,635
Medicare	5,308	5,308	4,038	1,270
Workers' Comp.	6,287	6,287	-	6,287
Total Cash Disbursements	1,442,826	1,792,823	1,447,249	345,574
Net Change in Fund Balance	(16,475)	(171,472)	10,029	181,501
Fund Cash Balances, January 1, 2008	173,742	173,742	173,742	-
Fund Cash Balances, December 31, 2008	\$ 157,267	\$ 2,270	\$ 183,771	\$ 181,501

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
COMMUNITY MENTAL HEALTH SERVICES STATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original Budget	Final Budget	Actual	
REVENUES:				
Grants	\$ 3,311,906	\$ 3,311,906	\$ 2,896,944	\$ (414,962)
Other	-	-	9,025	9,025
Total Cash Receipts	3,311,906	3,311,906	2,905,969	(405,937)
DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	2,690,176	3,070,176	2,939,133	131,043
General Government:				
Salaries	-	-	10,200	(10,200)
Professional Services	23,733	23,733	-	23,733
Total Cash Disbursements	2,713,909	3,093,909	2,949,333	144,576
Total Receipts Over/(Under) Disbursements	597,997	217,997	(43,364)	(550,513)
Other Financing Receipts/(Disbursements):				
Advances In	-	-	321,510	321,510
Total Other Financing Receipts/(Disbursements)	-	-	321,510	321,510
Net Change in Fund Balance	597,997	217,997	278,146	60,149
Fund Cash Balances, January 1, 2008	(217,997)	(217,997)	(217,997)	-
Fund Cash Balances, December 31, 2008	\$ 380,000	\$ -	\$ 60,149	\$ 60,149

See accompanying notes to the basic financial statements

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

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MEDICAID MENTAL HEALTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts			
REVENUES:	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Grants	\$ 1,716,958	\$ 1,943,473	\$ 1,669,281	\$ (274,192)
Total Cash Receipts	1,716,958	1,943,473	1,669,281	(274,192)
DISBURSEMENTS:				
Current Operations:				
Health Services:				
Contract - Services	1,673,943	1,763,943	1,672,213	91,730
General Government:				
Reimbursements	17,142	17,142	31,117	(13,975)
Total Cash Disbursements	1,691,085	1,781,085	1,703,330	77,755
Total Receipts Over/(Under) Disbursements	25,873	162,388	(34,049)	(351,947)
Other Financing Receipts/(Disbursements):				
Advances In	-	-	199,315	199,315
Total Other Financing Receipts/(Disbursements)	-	-	199,315	199,315
Net Change in Fund Balance	25,873	162,388	165,266	2,878
Fund Cash Balances, January 1, 2008	-	-	(162,387)	(162,387)
Fund Cash Balances, December 31, 2008	\$ 25,873	\$ 162,388	\$ 2,879	\$ (159,509)

See accompanying notes to the basic financial statements

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

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

1. REPORTING ENTITY

The Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is included within the Allen County Annual Financial Report as an agency fund.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

B. Fund Accounting

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

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

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

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

Mental Health Systems State Fund – Used to account for proceeds received from the State of Ohio to support general community mental health services to all Ohioans, to support community mental health services for adults and children who meet ODMH criteria for severe mental disabilities or emotional disturbances and to support systematic improvements in service delivery.

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

Capital Projects Fund – Used to account for receipts that are restricted for the acquisition or construction of major capital projects.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

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

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Fund Balance Reserves and Designations

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

J. Interfund Activity

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Assets

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

3. EQUITY IN POOLED CASH

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

The Allen County Auditor's records indicated the Board's cash balance as of December 31, 2008, was \$4,650,030.

4. 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.

Public utility personal property tax received in 2008 represent the collection of 2007 taxes. Public utility tangible personal property taxes received in 2008 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent and will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

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

The Board receives property taxes from Allen, Auglaize, and Hardin Counties. Each County Treasurer collects property taxes on behalf of all taxing districts within their County. Each County Auditor periodically remits to the taxing districts their portion of the taxes collected.

The full tax rate for the Mental Health and Recovery Services Board operations for the year ended December 31, 2008, was .50 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	Allen	Auglaize	Hardin
Residential/Agriculture			
Commercial/Industrial/Mineral	\$1,516,886,150	\$683,181,650	\$353,498,240
Public Utilities	86,569,560	259,820	580,550
Tangible Personal Property	377,434,053	131,724,477	72,415,266
Total Assessed Value	<u>\$1,980,889,763</u>	<u>\$815,165,947</u>	<u>\$426,494,056</u>

5. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2008, were as follows:

Transfer From	Transfer to
General Fund	Capital Projects
<u>\$1,293,178</u>	<u>\$1,293,178</u>

6. INTERFUND BALANCES

Unpaid inter-fund cash advances at December 31, 2008 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,057,487	\$ -
408 State Fund	-	321,511
Capital Projects Fund	-	199,314
Other Governmental Funds	<u>-</u>	<u>536,662</u>
Total Interfund Receivables Payables	<u>\$ 1,057,487</u>	<u>\$ 1,057,487</u>

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

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

7. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

The Board also participates in the County Employee Health Insurance Plan established by Allen County to account for and finance employee health benefits. The employee Health Care Plan is responsible for the first \$90,000 in aggregated claims year. After that, stop-loss covers up to a lifetime maximum of \$2,000,000 per covered person. Further information may be obtained by contacting the Allen County Administrator, 301 North Main Street, Lima, Ohio 45801.

8. DEFINED BENEFIT PENSION PLAN

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan.

The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries; however, the Board picked up 100 percent of employee contributions. The employer contribution rate for pension benefits for 2008 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

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

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

The Board's required contributions for pension obligations, including the employee portion, to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$81,628, \$65,536, and \$55,517 respectively; 100 percent has been contributed for all years.

9. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in *GASB Statement No. 12 "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employees"*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 local government employer contribution rate was 14 percent of covered payroll; 7 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 4 percent annually for the next seven years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,076. Actual employer contributions, including the employee portion, for 2008 which were used to fund postemployment benefits were \$40,814.

The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2008, which will allow additional funds to be allocated to the health care plan.

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

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

10. CONTINGENT LIABILITIES

A. Grants

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

B. Fund Designation

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

The recommended fund balance designation requirement was developed as equal to two months of the total operating budget (2/12). This percentage is then converted to a dollar amount for the current operating year identifying a minimum level. At December 31, 2008 the Board had designated \$1,720,762 for possible future financial shortfalls.

11. BUDGETARY NONCOMPLIANCE

At December 31, 2008, the following funds had deficit balances: Title XX (\$3,801), PASARR (\$2,200) and Federal Per Capita Prevention (\$19,335). Contrary to Ohio law the funds above have deficit fund balances, which indicate that revenues from other funds were used to meet the expenses for those funds. Also, the Board did not request amended certificates of estimated resources for various funds.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Program Title	Federal CFDA Number	Project Number	Receipts	Disbursements
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Ohio Department of Mental Health:				
COMMUNITY PLAN BLOCK GRANT	93.958	01-BG01PLAN-09	\$ 70,372	\$ 32,941
	93.958	01-BG01PLAN-08	70,373	81,932
Total Block Grants for Community Mental Health Services			140,745	114,873
Promoting Safe and Stable Families	93.556	FY09	29,195	51,010
	93.556	FY08	62,355	66,670
Total Promoting Safe and Stable Families			91,550	117,680
Early Childhood Mental Health	93.590	FY09	-	14,544
	93.590	FY08	40,883	24,660
Total Early Childhood Mental Health			40,883	39,204
Social Services Block Grant-Title XX	93.667	FY 09	33,698	67,499
	93.667	FY 08	102,255	68,170
Total Social Services Block Grant-Title XX			135,953	135,669
Medical Assistance Program: PASSAR	93.778	FY 09	3,600	6,800
	93.778	FY 08	7,800	5,400
Medical Assistance Program	93.778	FY09	909,352	564,512
	93.778	FY08	759,959	1,138,818
State Childrens Insurance Program	93.767	FY09	55,628	55,628
Total Medical Assistance Program			1,736,339	1,771,158
Passed Through Ohio Department of Alcohol and Drug Addiction Services:				
Substance Abuse Prevention and Treatment Block Grant				
FEDERAL PER CAPITA	93.959	01-BGD-FY09	191,796	323,690
	93.959	01-BGD-FY08	386,445	278,828
Women's Treatment	93.959	FY 09	13,500	20,250
Prevention Services	93.959	FY 09	9,001	19,043
UMADAOP	93.959	0205004-00-UMP-09	64,478	129,885
	93.959	0205004-00-UMP-08	122,202	83,408
Total Substance Abuse Prevention and Treatment Block Grant			787,422	855,104
Medical Assistance Program: Medicaid	93.778	FY 09	134,718	53,465
	93.778	FY 08	206,957	185,066
State Childrens Insurance Program	93.767	FY 09	18,689	18,642
Total Medical Assistance Program			360,364	257,173
Total Federal Assistance - U.S. Department of Health and Human Services			\$ 3,293,256	\$ 3,290,861

See accompanying Notes to the Schedule of Federal Awards.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

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

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

NOTE C – MATCHING REQUIREMENTS

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County (the Board) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 30, 2009, wherein we noted the Board followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of 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 the Board'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 Board's financial statements that is more than inconsequential will not be prevented or detected by the Board'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 Board's internal control.

Our consideration of 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting 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, grants agreements and other matters, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items number 2008-1 and 2008-2.

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

Charles E. Harris & Associates, Inc.
June 30, 2009

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax (216) 436-2411

Charles E. Harris & Associates, Inc.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Members of the Board:

Compliance

We have audited the compliance of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, Allen County, (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 apply to its major federal program for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal program. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that apply to its major federal program 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 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 the Board's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Board's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for 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 solely for the information and use of the finance committee, management, the Board of Trustees, and federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
June 30, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY
December 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)
OMB CIRCULAR A-133 SECTION .505**

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY
DECEMBER 31, 2008**

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

FINDING NUMBER 2008-1

Noncompliance Citation

Ohio Revised Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The following funds had actual revenues which were less than budgeted revenues in the following amounts at December 31:

	2008
SPECIAL REVENUE FUNDS:	
MEDICAID MENTAL HEALTH	\$ (74,878)
COMMUNITY MENTAL HEALTH SYSTEMS	(84,427)
MENTAL HEALTH SYSTEM	(164,072)
TITLE XX	(34,889)
ODMH COMM. PLAN BLOCK GRANT	(47,254)
EARLY CHILDHOOD MENTAL HEALTH	(36,588)
MEDICAID A/D	(31,908)
FEDERAL PER CAPITA FUND – TREATMENT	(90,359)
FEDERAL PER CAPITA FUND – PREVENTION	(56,285)
TANF MOE	(6,704)
YOUTH MENTORING	(27,315)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)
OMB CIRCULAR A-133 SECTION .505**

**MENTAL HEALTH AND RECOVERY SERVICES BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY
DECEMBER 31, 2008**

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

**FINDING NUMBER 2008-1
(Continued)**

By not amending its certificate of estimated resources, the Board cannot make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Board should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

MANAGEMENT RESPONSE:

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

FINDING NUMBER 2008-2

Noncompliance Citation

Ohio Revised Code Section 5705.10 prohibits the Board from having negative fund balances. The following funds were found to have negative cash fund balances at December 31, 2008:

Funds	December 31, 2008 Balance
Title XX	\$ (33,801)
PASARR	(2,200)
Federal Per Capita Prevention	(19,335)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than those specified in a grant agreement could result in the loss of future grant awards.

MANAGEMENT RESPONSE:

We will review our budgeting to ensure that all negative fund balances are covered by advances from the General Fund.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)
OMB CIRCULAR A-133 SECTION .505**

**MENTAL HEALTH AND RECOVERY SERVICE BOARD OF
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY
DECEMBER 31, 2008**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Rev. Code Section 5705.36(A)(2)	No	Repeated as finding # 2008-1
2007-002	Rev. Code Section 5705.41(B)	Yes	Finding is no longer valid
2007-003	Rev. Code Section 5705.10, Deficit Fund Balances	No	Repeated as finding # 2008-2



Mary Taylor, CPA
Auditor of State

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

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 2, 2010**