



Mary Taylor, CPA
Auditor of State

**BEHAVIORAL HEALTH GENERATIONS
BUTLER COUNTY**

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Mary Taylor, CPA
Auditor of State

Behavioral Health Generations
Butler County
7372 Kingsgate Way
West Chester, Ohio 45069

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

November 21, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Behavioral Health Generations
Butler County
7372 Kingsgate Way
West Chester, Ohio 45069

To the Board of Directors:

We have audited the accompanying financial statements of Behavioral Health Generations, Butler County, Ohio (the Council), as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, during 2008 and 2007, the Council revised its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the format the accompanying financial statements present, GAAP require presenting entity wide statements and expanded note disclosure. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Council to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2008 and 2007, or its changes in financial for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of Behavioral Health Generations, Butler County, Ohio as of June 30, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the 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.

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

Mary Taylor, CPA
Auditor of State

November 21, 2008

**BEHAVIORAL HEALTH GENERATIONS
BUTLER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
Cash Receipts:		
Membership Dues	\$459,281	\$459,281
Investment Income	45,415	58,893
Other Receipts - HIPAA Sales/Other	0	3,616
Total Cash Receipts	504,696	521,790
Cash Disbursements:		
Salaries and Fringe Benefits	409,070	372,375
Supplies	14,011	14,398
Rentals	30,834	32,019
Dues and Publications	515	3,518
Travel and Training	31,966	11,955
Insurance	3,633	3,633
Advertising	0	1,258
Utilities	19,624	19,740
Contracts - Services	34,646	38,006
Miscellaneous	1,878	2,387
Total Cash Disbursements	546,177	499,289
Total Receipts Over (Under) Disbursements	(41,481)	22,501
Fund Cash Balances, July 1 (Restated)	954,681	932,180
Fund Cash Balances, June 30	\$913,200	\$954,681

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

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**BEHAVIORAL HEALTH GENERATIONS
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

Behavioral Health Generations, Butler County, Ohio (the Council), is a Regional Council of Governments, established under the authority of the Ohio Revised Code Chapter 1702 and 167. The membership of the Council consists of the Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) Board systems representing Brown, Hancock, Logan-Champaign, Union, Warren-Clinton, Licking Knox, and Wyandot-Seneca-Sandusky Counties. The Council is dependent upon the participation and financial stability of the member ADAMHS Boards. The purpose of the Council shall be the development among Members of the Council of such knowledge and resources as may be necessary and appropriate to promote the design, implementation and management of an integrated system of behavioral health care for persons served by Members of BHG and to ensure that this system of care:

- a. Provides the highest quality care which is necessary and appropriate for persons served by Members of the Council;
- b. Is accessible to the maximum degree which is possible within available resources;
- c. Is carried out in an efficient, coordinated and cost-effective manner;
- d. Is coordinated with other health care services available to persons receiving services through Members of the Council and;
- e. Conforms to all applicable requirements of Federal and State law.

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

B. Accounting Basis

During 2006 and 2005, the Council followed the accrual basis of accounting and prepared their financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governmental units.

During 2008 and 2007, the Council continued to use the accrual basis of accounting, but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

The Council values its checking and sweep money market savings account at cost

D. Fund Accounting

The Council accounts for all resources in the General Fund because for the fiscal year ended June 30, 2008, the Council had no resources that were required to be restricted as to use. Membership dues are the primary source of funding.

**BEHAVIORAL HEALTH GENERATIONS
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fiscal Agent

The accounting overview for the Council is performed by its fiscal agent, Keelsra Business Services LLC. Certain other services are performed by member Boards on a fee for service basis.

F. Budgetary Process

The Bylaws of the Council require the Chief Executive Officer (CEO) to prepare an annual budget and present it to the Board for approval.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

G. Property, Plant, and Equipment

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

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 Council's basis of accounting.

2. Equity in Pooled Cash and Deposits

The Council maintains a cash pool used by all accounts within the General Fund. The policies and procedures manual for the Council prescribes allowable deposits. The carrying amount of cash and investments at June 30 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$34,707	\$1,676
Sweep Money Market Savings	<u>878,493</u>	<u>953,005</u>
Total deposits	<u><u>\$913,200</u></u>	<u><u>\$954,681</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

The Council's financial institution transfers funds from the checking account to a higher interest savings account. The Sweep Money Market Savings is insured by the FDIC; or collateralized by the financial institution's public entity deposit pool.

**BEHAVIORAL HEALTH GENERATIONS
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending June 30, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$518,661	\$504,696	(\$13,965)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$595,002	\$546,177	\$48,825

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$499,431	\$521,790	\$22,359

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$571,260	\$499,289	\$71,971

4. Retirement Systems

The Council's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, PERS members contributed 9.5% and 10%, respectively, of their gross salaries. The Council contributed an amount equal to 13.85% and 14%, respectively, of participants' gross salaries. The Board has paid all contributions required through June 30, 2008.

5. Risk Management

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

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

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Mary Taylor, CPA

Auditor of State

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

Behavioral Health Generations
Butler County
7372 Kingsgate Way
West Chester, Ohio 45069

To the Board of Directors:

We have audited the financial statements of Behavioral Health Generations, Butler County, Ohio (the Council), as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 21, 2008, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council'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 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 Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Council's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Council's management in a separate letter dated November 21, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated November 21, 2008.

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and Council Board of Directors. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

November 21, 2008

**BEHAVIORAL HEALTH GENERATIONS
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Material Noncompliance

Ohio Revised Code, § 135.12 (B), provides that each governing board other than the state board of deposit shall meet every five years on the third Monday or such regularly scheduled meeting date of the month next preceding the date of the expiration of its designation of depositories for the purpose of designating the public depositories of the public moneys of the subdivision, and at such meeting or any adjourned session thereof, shall designate such public depositories and award the public moneys of the subdivision to and among the public depositories so designated for the period of five years commencing on the date of the expiration of the next preceding designation.

Council's Policy OP2.05 provides that every five years, the Board will designate depositories for the deposit of public money at its regularly scheduled meeting in the month immediately preceding the expiration date of the currently existing designation period. The Board will make the designation and award in duplicate, keeping one copy and certifying one copy to the Fiscal Agent, in accordance with the requirements of Ohio Revised Code § 135.12.

The Council did not designate a depository during the audit period nor execute any depository agreements in accordance with the requirements of Ohio Revised Code § 135.12 and Council's Policy OP2.05.

Entities that do not have a depository agreement with a depository could risk collateral not covering public funds if the depository ceases to exist. The Council inadvertently forgot to obtain a new depository agreement when they opened their account at National City Bank; however, the Council obtained a depository agreement on July 1, 2008 covering the period of July 1, 2008 to June 30, 2010.

We recommend that the Council ensure they always have a depository agreement to protect themselves from a loss of funds. A depository agreement should include a requirement that a pledge of collateral: (1) be in writing, (2) be executed contemporaneously with the acquisition of the asset by the depository institution, (3) be approved by the financial institution's board of directors or loan committee and the approval must be reflected in the minutes of the financial institution's board or committee, and (4) be an official record of the depository institution continuously since it was executed. Requirements (1) through (4) are necessary under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), to assure the pledge would be valid in the event of a claim under FDIC.

Officials' Response:

We appreciate you bringing this to our attention. This item has been corrected for the current period per the signed agreement between BHG and National City Bank. It was our understanding at the time of opening the account, that National City Bank had fully insured the account as we were working under their product line as being a Public Fund.



Mary Taylor, CPA
Auditor of State

BEHAVIORAL HEALTH GENERATIONS

BUTLER 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
DECEMBER 11, 2008**