

**MENTAL HEALTH, DRUG, AND ALCOHOL
SERVICES BOARD OF LOGAN AND
CHAMPAIGN COUNTIES**
AUDITED FINANCIAL STATEMENTS

JUNE 30, 2008



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.



Mary Taylor, CPA

Auditor of State

Board Members

Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties
123 North Detroit Street
P.O. Box 765
West Liberty, Ohio 43357

We have reviewed the *Independent Auditor's Report* of the Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties, Logan County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA
Auditor of State

February 2, 2009

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**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2008**

TABLE OF CONTENTS

| <u>TITLE</u> | <u>PAGE</u> |
|--|--------------------|
| Independent Auditor's Report..... | 1-2 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types | 3 |
| Notes to the Financial Statements | 4-11 |
| Schedule of Expenditures of Federal Awards..... | 12 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 13 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 14-15 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> | 16-17 |
| Schedule of Findings and Questioned Costs | 18 |
| Summary Schedule of Prior Audit Findings | 19 |



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 11, 2008

Board Members
Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio 43357

Independent Auditor's Report

We have audited the accompanying financial statements of the Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties (the "Board"), as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Board has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Board to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2008. Instead of the combined funds the accompanying financial statements present for 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008. While the Board does not follow GAAP, generally accepted auditing standards requires us to include in the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require to reformat their statements. The Board has elected not to reformat its statements. Since this Board does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the year ended June 30, 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Board as of June 30, 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Board, as of June 30, 2008, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Board to include Management's Discussion and analysis for the year ended June 30, 2008. The Board has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have issued our report dated December 11, 2008, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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

Rea & Associates, Inc.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008**

| | General Fund | Special Revenue Fund | Fiduciary Funds | Total (Memorandum Only) |
|--|-----------------|----------------------------|--------------------|-------------------------------|
| RECEIPTS: | | | | |
| Taxes | \$ 864,326 | \$ 0 | \$ 0 | \$ 864,326 |
| Intergovernmental | 262,895 | 4,529,672 | 0 | 4,792,567 |
| Rental income | 66,310 | 0 | 0 | 66,310 |
| Charges for Services | 71,134 | 403,041 | 0 | 474,175 |
| Miscellaneous | 368 | 0 | 0 | 368 |
| <i>Total receipts</i> | 1,265,033 | 4,932,713 | 0 | 6,197,746 |
| DISBURSEMENTS: | | | | |
| Salaries | 54,256 | 206,011 | 0 | 260,267 |
| Benefits | 96,485 | 4,026 | 0 | 100,511 |
| Purchased Services | 671,064 | 4,772,821 | 0 | 5,443,885 |
| Contract Labor | 16,330 | 0 | 0 | 16,330 |
| Board Operations | 108,612 | 0 | 0 | 108,612 |
| Supplies and Materials | 26,371 | 0 | 0 | 26,371 |
| Professional Fees | 28,440 | 0 | 0 | 28,440 |
| Repairs | 6,486 | 0 | 0 | 6,486 |
| Rental Expenses | 11,968 | 0 | 0 | 11,968 |
| Advertising and Printing | 16,499 | 0 | 0 | 16,499 |
| Dues and Memberships | 59,621 | 0 | 0 | 59,621 |
| Travel and Training | 10,462 | 0 | 0 | 10,462 |
| <i>Total disbursements</i> | 1,106,594 | 4,982,858 | 0 | 6,089,452 |
| <i>Excess of receipts and other financing sources over disbursements</i> | 158,439 | (50,145) | 0 | 108,294 |
| <i>FUND CASH BALANCES, July 1, 2007</i> | 426,387 | 1,045,738 | 125 | 1,472,250 |
| <i>FUND CASH BALANCES, June 30, 2008</i> | \$ 584,826 | \$ 995,593 | \$ 125 | \$ 1,580,544 |
| <i>Reserve for Encumbrances, June 30, 2008</i> | \$ 131,244 | \$ 667,073 | \$ 0 | \$ 798,317 |

The accompanying notes are an integral part of these financial statements.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, (the Board) as a body corporate and politic. An eighteen-member Board is the governing Body. The Board's Director and the legislative authorities of the political subdivisions making up the Board appoint the other Board members. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Director of the Ohio Department of Mental Health, Director of Ohio Department of Alcohol and Drug Addiction, and the County Commissioners of Logan and Champaign Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. Private and public agencies are the primary service providers, through Board contracts.

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

B. BASIS OF ACCOUNTING

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. CASH

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

D. FIXED ASSETS

The Board records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. DEBT

The Board has non-interest bearing debt with the Ohio Department of Mental Health (ODMH). The financial statements do not include a liability for this debt.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. FUND ACCOUNTING

The Board maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are to account for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The Board had the following significant Special Revenue Fund:

Ohio Department of Mental Health (ODMH) Medicaid Fund - This fund receives money from the federal government and is passed through the ODMH to provide specific eligible services to Medicaid-eligible people.

Fiduciary (Agency) Funds

Fiduciary funds are used to account for resources restricted for which the Board receives in an agency capacity.

G. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1. The Champaign County Budget Commission must also approve estimated resources on a calendar year basis.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of Fiscal Year 2008 budgetary activity appears in Note 2.

H. PROPERTY, PLANT AND EQUIPMENT

The Board records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

I. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

J. TOTAL COLUMN ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “(Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation.

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2008 follows:

| <u>2008 Budgeted vs. Actual Receipts</u> | | | |
|--|------------------------------|----------------------------|-------------------------------|
| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Favorable Variance</u> |
| General Fund | \$ 976,300 | \$1,265,033 | \$ 288,733 |
| Special Revenue Funds | <u>4,574,691</u> | <u>4,932,713</u> | <u>358,022</u> |
| Total | <u>\$5,550,991</u> | <u>\$6,197,746</u> | <u>\$ 646,755</u> |

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

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

2. BUDGETARY ACTIVITY (continued)

| 2008 Budgeted vs. Actual Expenditures | | | |
|---------------------------------------|----------------------------------|--------------------------------|---|
| <u>Fund Type</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Favorable (Unfavorable) Variance</u> |
| General Fund | \$ 727,486 | \$1,237,838 | \$ (510,352) |
| Special Revenue Funds | <u>5,092,380</u> | <u>5,649,931</u> | <u>(557,551)</u> |
| Total | <u>\$5,819,866</u> | <u>\$6,887,769</u> | <u>\$(1,067,903)</u> |

Please note that the above budgetary comparison for the year ending June 30, 2008 includes encumbrances filed with Champaign County based upon the calendar year ending December 31, 2008. As such, it appears that the Board's appropriations exceed their budgeted expenditures. However, the Board also files a budget on a calendar year basis with Champaign County for which testing has been performed to determine that the Board is in compliance with Ohio Revised Code Section 5705.41(B).

3. PROPERTY TAX

Champaign County

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2006 was \$.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.3649 per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$.4872 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Board by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2008 was \$.70 per \$1,000 of assessed valuation.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

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

3. PROPERTY TAX (Continued)

| | |
|--|-----------------------|
| Real property – 2006 valuation: | |
| Residential/Agricultural | \$ 607,256,370 |
| Commercial/Industrial/Minerals | 86,627,900 |
| Public Utilities | 93,780 |
| Tangible personal property - 2008 valuation: | |
| General | 44,298,976 |
| Public Utilities | <u>29,377,700</u> |
| Total valuation | <u>\$ 767,654,726</u> |

The Champaign County Treasurer collects property tax on behalf of all taxing districts within the county. The Champaign County Auditor periodically remits to the taxing districts their portion of the taxes collected.

Logan County

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2006.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2007 was \$.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.35 per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$.68 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Board by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2008 was \$.70 per \$1,000 of assessed valuation.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

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

3. PROPERTY TAX (Continued)

Real property – 2007 valuation:

| | |
|--------------------------|----------------|
| Residential/Agricultural | \$ 806,552,640 |
| Commercial/Industrial | 176,700,740 |
| Public Utilities | 533,280 |

Tangible personal property - 2008 valuation:

| | |
|------------------|-------------------|
| General | 78,487,381 |
| Public Utilities | <u>31,573,450</u> |

Total valuation \$ 1,093,847,491

The Logan County Treasurer collects property tax on behalf of all taxing districts within the county. The Logan County Auditor periodically remits to the taxing districts their portion of the taxes collected

4. RETIREMENT COMMITMENTS

The Board employees belong to the Public Employee 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 fiscal year 2008, PERS members contributes 8.5% of their gross salaries. The Board contributed an amount equal to 13.7% of participants' gross salaries. The Board paid all contributions required through June 30, 2008. Refer to Champaign County, Ohio financial report for complete pension disclosure.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

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

5. LONG-TERM OBLIGATIONS

The Board has entered into five non-interest bearing mortgage agreements with the Ohio Department of Mental Health. In accordance with the mortgage agreements the loans are forgiven by the State of Ohio over a period of 40 years, under the condition the facilities are used exclusively for the purpose of providing mental health services.

The Board has the following long-term obligations with the ODMH as of June 30, 2008:

| | |
|--|-------------------|
| Mortgage, ODMH, original loan balance of \$818,084, non-interest bearing note, forgiven by the ODMH in monthly installments of \$1,704, term of the loan expires November, 2033. | \$ 519,840 |
| Mortgage, ODMH, original loan balance of \$125,000, non-interest bearing note, forgiven by the ODMH in monthly installments of \$260, term of the loan expires October, 2035. | 85,175 |
| Mortgage, ODMH, original loan balance of \$154,488, non-interest bearing note, forgiven by the ODMH in monthly installments of \$322, term of the loan expires August, 2041. | 128,089 |
| Mortgage, ODMH, original loan balance of \$208,512, non-interest bearing note, forgiven by the ODMH in monthly installments of \$434, term of the loan expires April 2042. | 176,385 |
| Mortgage, ODMH, original loan balance of \$76,000, non-interest bearing note, forgiven by the ODMH in monthly installments of \$158, term of the loan expires August, 2043. | <u>66,832</u> |
| Total long-term obligations | <u>\$ 976,321</u> |

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

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

5. LONG-TERM OBLIGATIONS (continued)

Principal amounts of long-term obligations are forgiven as follows:

| | |
|------------|-------------------|
| 2009 | \$ 34,536 |
| 2010 | 34,536 |
| 2011 | 34,536 |
| 2012 | 34,536 |
| Thereafter | <u>838,180</u> |
| | <u>\$ 976,324</u> |

Principal forgiven by the ODMH during the year ended June, 30, 2008 amounted to \$34,536.

6. LEASE REVENUE

The Board has entered into a lease for the mental health center at 1521 N. Detroit Street, West Liberty, Ohio with Consolidated Care, Inc. a funded agency of the Board. Rent income for the year ended June 30, 2008 was \$66,310.

7. CONTINGENCIES

Grants

The Board received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

8. RISK MANAGEMENT

The Board has obtained commercial insurance for the following risks:

- Director and Officer Insurance
- Comprehensive Property and General Liability
- Bond Insurance
- Errors and Omissions

There was no reduction in the level of coverage during the year and settled claims have not exceeded insurance coverage in any of the past three years.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AN CHAMPAIGN COUNTIES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Federal Expenditures |
|--|----------------------------------|---------------------------|-------------------------|
| U.S. Department of Health and Human Services: | | | |
| <i>Passed through State Department of Mental Health:</i> | | | |
| Block Grant- Community Plan | (1) | 93.958 | \$ 50,771 |
| Title XX | (1) | 93.667 | 55,716 |
| Title XIX | (1) | 93.778 | 1,219,257 |
| Children's Health Insurance Program | (1) | 93.767 | 141,521 |
| Total Ohio Department of Mental Health | | | 1,467,265 |
| <i>Passed through State Department of Alcohol and Drug Addiction Services:</i> | | | |
| Block Grants- Prevention | (1) | 93.959 | 72,987 |
| Treatment | (1) | 93.959 | 188,584 |
| Total Block Grants for Community Mental Health Services | | | 261,571 |
| Title XIX | (1) | 93.778 | 97,428 |
| Children's Health Insurance Program | (1) | 93.767 | 21,921 |
| Total Ohio Department of Alcohol and Drug Addiction Services | | | 380,920 |
| <i>Total U.S. Department of Health and Human Services</i> | | | 1,848,185 |
| U.S. Department of Housing and Urban Development: | | | |
| <i>Direct Award:</i> | | | |
| Supporting Housing Program | N/A | 14.235 | 39,397 |
| Total | | | 39,397 |
| <i>Total U.S. Department of Housing and Urban Development</i> | | | 39,397 |
| Total Expenditures of Federal Awards | | | \$ 1,887,582 |

(1) Pass through entity numbers not available from State agencies.

The accompanying notes are an integral part of this schedule.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008**

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2: MEDICAID

The Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties expended \$1,564,162 from the Medical Assistance Program (Medicaid) Title XIX, CFDA Number 93.778 for fees for service program. During the fiscal year ended June 30, 2008, the Board paid providers the entire bill and was subsequently reimbursed for the Federal Financial Participation rate (FFP) of 59.66% through September 30, 2007 and 60.79% thereafter. Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during the fiscal year ended June 30, 2008.

NOTE 3: CHILDREN'S HEALTH INSURANCE PROGRAM

The Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties expended \$147,519 from the Children's Health Insurance Program, CFDA Number 93.767 for fees for service program. During the fiscal year ended June 30, 2008, the Board paid providers the entire bill and was subsequently reimbursed for the Federal Financial Participation rate (FFP) of 71.76% through September 30, 2007 and 72.55% thereafter. Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during the fiscal year ended June 30, 2008.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 11, 2008

Board Members
Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio 43357

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the accompanying financial statements of Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties (the "Board"), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008, wherein we noted the Board followed accounting practices the Auditor of State of Ohio 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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.

Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties
Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
December 11, 2008
Page 2

Compliance

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

This report is intended solely for the information and use of the Board's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 11, 2008

Board of Directors
Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio 43357

**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and
Internal Control Over Compliance in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of the Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties (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 programs for the year ended June 30, 2008. The Board's major federal programs are identified in the "Summary of Auditor's Results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements, 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the Board's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

| | | |
|----------------|--|--|
| (d) (1) (i) | Type of Financial Statement Opinion | Adverse: GAAP Basis Unqualified: Regulatory Basis |
| (d) (1) (ii) | Internal control over financial reporting: Material weakness identified? | No |
| (d) (1) (ii) | Significant deficiencies identified that are not considered material weaknesses? | None reported |
| (d) (1) (iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d) (1) (iv) | Internal control over federal major programs: Material weakness identified? | No |
| (d) (1) (iv) | Significant deficiencies identified that are not considered material weaknesses? | None reported |
| (d) (1) (v) | Type of Major Programs' Compliance Opinion | Unqualified CFDA # 93.778 |
| (d) (1) (vi) | Are there any reportable findings under Section .510(a) of Circular A-133? | No |
| (d) (1) (vii) | Major Programs (list): | Title XIX: Medicaid CFDA # 93.778 |
| (d) (1) (viii) | Dollar Threshold: Type A/B Programs | Type A: >\$300,000 Type B: All others |
| (d) (1) (ix) | Low Risk Auditee? | Yes |

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MENTAL HEALTH, DRUG, AND ALCOHOL SERVICES
BOARD OF LOGAN AND CHAMPAIGN COUNTIES**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Responsible Contact Person – Kay Beery, Business Director

Finding 2007-01 Ohio Revised Code Section 9.34

Ohio Revised Code Section 9.34 requires that all taxing districts except school districts shall begin on the first day of January of each calendar year and end at the close of the succeeding thirty-first day of December unless permission has been obtained from the Auditor of State to allow the district to use a different fiscal year. Currently, no documentation can be obtained from the Board's files showing such permission to use a fiscal year ending June 30th.

Corrective Actions Taken:

On June 17, 2008, the Auditor of State granted permission for the Board to use a June 30 fiscal year end.

Finding 2007-02 Ohio Revised Code Section 117.38

Ohio Revised Code Section 117.38 requires that cash basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end and the public office must also publish notice in a local newspaper stating that the financial report is available for public inspection. For the fiscal year ended June 30, 2008, the Board could not show proof of the necessary filing with the Auditor of State and public notice in the newspaper.

Corrective Actions Taken:

The Board has implemented procedures to file the annual report and is now in compliance.



Mary Taylor, CPA
Auditor of State

**MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF
LOGAN & CHAMPAIGN COUNTIES**

LOGAN 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 17, 2009**