



**FOUR COUNTY BOARD OF ALCOHOL,  
DRUG ADDICTION, AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2009**



**Mary Taylor, CPA**  
Auditor of State



**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

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# Mary Taylor, CPA

Auditor of State

Four County Board of Alcohol, Drug Addiction,  
and Mental Health Services  
Henry County  
T-761 State Route 66  
Archbold, Ohio 43502-9537

To Members of the Board:

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.

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

**Mary Taylor, CPA**  
Auditor of State

June 29, 2010

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Four County Board of Alcohol, Drug Addiction,  
and Mental Health Services  
Henry County  
T-761 State Route 66  
Archbold, Ohio 43502-9537

To Members of the Board:

We have audited the accompanying financial statements of Four County Board of Alcohol, Drug Addiction, and Mental Health Services, Henry County, (the Board) as of and for the year ended December 31, 2009. 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 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, 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Board's larger (i.e. major) funds separately. While the Board does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Board 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.

Four County Board of Alcohol, Drug Addiction,  
and Mental Health Services  
Henry County  
Independent Accountants' Report  
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Board as of December 31, 2009, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Four County Board of Alcohol, Drug Addiction, and Mental Health Services, Henry County, as of December 31, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 also issued our report dated June 29, 2010, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Board's financial statements. The schedule of federal awards expenditures is 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 financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

June 29, 2010



**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES**

**HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Taxes	\$2,469,670		\$2,469,670
Intergovernmental Revenue	1,442,331	\$6,199,983	7,642,314
Gifts and Donations	500		500
Payments in Lieu of Taxes	2,464		2,464
Miscellaneous	270		270
	<u>3,915,235</u>	<u>6,199,983</u>	<u>10,115,218</u>
Total Cash Receipts			
<b>Cash Disbursements:</b>			
Salaries	276,447		276,447
Supplies	1,338		1,338
Equipment	3,038		3,038
Contracts - Repair	2,277		2,277
Contracts - Services	4,427,057		4,427,057
Rentals	40,864		40,864
Project Fund Disbursements		5,153,632	5,153,632
Travel	2,868		2,868
Public Employees Retirement	37,388		37,388
Workers Compensation	4,654		4,654
Insurance	94,534		94,534
Levy Fees	68,475		68,475
Other	53,836		53,836
	<u>5,012,776</u>	<u>5,153,632</u>	<u>10,166,408</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,097,541)</u>	<u>1,046,351</u>	<u>(51,190)</u>
<b>Other Financing Sources/Uses:</b>			
Reimbursements	285,581	50,754	336,335
Reduction of Prior Year Disbursements	55,255		55,255
Transfer-In		13,889	13,889
Transfer-Out	(13,889)		(13,889)
	<u>326,947</u>	<u>64,643</u>	<u>391,590</u>
Total Other Financing Sources/(Uses)			
Excess of Cash Receipts and Other Financing Sources over/(under) Cash Disbursements and Other Financing Uses	(770,594)	1,110,994	340,400
Fund Cash Balances, January 1	3,014,841	646,904	3,661,745
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,244,247</u></b>	<b><u>\$1,757,898</u></b>	<b><u>\$4,002,145</u></b>
Reserves for Encumbrances, December 31	<u>\$1,100,016</u>	<u>\$941,280</u>	<u>\$2,041,296</u>

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

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**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 Four County Board of Alcohol, Drug Addiction, and Mental Health Services, (the Board) as a body corporate and politic. An eighteen-member Board is the governing Body. 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: Ohio Director of Alcohol and Drug Addiction Services, Ohio Director of Mental Health Services, Defiance County, Fulton County, Henry County, and Williams County.

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. Accounting Basis**

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. Deposits and Investments**

As required by the Ohio Revised Code, the Defiance County Treasurer is custodian for the Board's cash. The County's cash and investment pool holds the Board's cash, valued at the County Treasurer's carrying amount.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) restricted to expenditure for specific purposes. The Board had the following significant Special Revenue Fund:

Title XIX Medicaid Fund – Provides financial assistance to provider agencies, to provide payments for medical services provided to cash assistance recipients, members of certain mandatory and optional groups who do not receive cash assistance, or other individuals for which cash assistance is available but whose income or resources, while too high for eligibility for those programs, are insufficient to meet the cost of their medical care.

**E. Budgetary Process**

The Ohio Revised Code requires the Board to adopt a budget for each fund annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2009 budgetary activity appears in Note 2.

**F. 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.

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**G. 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.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009, follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,525,736	\$4,256,071	(\$3,269,665)
Special Revenue	6,018,682	6,264,626	245,944
Total	\$13,544,418	\$10,520,697	(\$3,023,721)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,732,043	\$6,126,681	\$2,605,362
Special Revenue	5,550,209	6,094,912	(544,703)
Total	\$14,282,252	\$12,221,593	\$2,060,659

**3. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Board.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**4. RETIREMENT SYSTEM**

The Board's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**4. RETIREMENT SYSTEM (CONTINUED)**

benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009, OPERS members contributed 10% of their gross salaries and the Board contributed an amount equaling 14% of participants' gross salaries. The Board has paid all contributions required through December 31, 2009.

**5. FUND RESERVE**

The General Fund includes a reserve account in the amount of \$552,640 as of December 31, 2009, which was established by the Board in accordance with Ohio Revised Code 5705.221(C). The reserve balance account contains those funds that are not needed to pay for current operating expenses but that will be needed to pay for operating expenses in the future.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Director's and Officers liability

The Board provides health insurance to full-time employees through a private carrier. The Board also provides each employee with up to \$400 per month for family coverage, reimbursement for dental and vision expenses and other medical expenses not covered by insurance.

**7. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**8. COMPLIANCE**

- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2009 by the following amounts:

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**8. COMPLIANCE (CONTINUED)**

Fund	Appropriations	Expenditures	Excess
Title XIX Medicaid Fund	\$2,725,000	\$3,042,745	(\$317,745)
Early Childhood Mental Health Fund	13,151	85,578	(72,427)
505 Block Grant Fund	56,335	100,000	(43,665)
Stimulus Medicaid Fund	100,710	255,918	(155,208)
Flex Grant Fund	1,056,886	1,528,371	(471,485)

- Contrary to Ohio law, the posted appropriations did not match the legally adopted appropriations for the year ended December 31, 2009 by the following amounts:

Fund	Approved Appropriations	Posted Appropriations	Excess
General Fund	\$8,503,290	\$8,649,731	(\$146,441)
Women's Grant Fund	279,062	162,400	116,662
Community Plan Grant Fund	83,658	66,920	16,738
Title XIX Medicaid Fund	2,700,000	2,875,000	(175,000)
Substance Abuse, Prevention, and Treatment Grant Fund	716,333	202,940	513,393
Family Systems Team Grant Fund	110,000	76,137	33,863
Kids Block Grant Fund	64,590	25,835	38,755
System of Care Grant Fund	213,205	187,401	25,804

- Contrary to Ohio law, the Board did not properly post Flex grant monies, American Recovery and Investment Act (ARRA) Medicaid monies, Block grant monies, and Women's grant monies to the funds prescribed by law.

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009

<b>FEDERAL GRANTOR</b>		Federal	
<i>Pass-through Grantor</i>		CFDA	
Program Title	Project Number	Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through the Ohio Department of Mental Health</i>			
Social Services Block Grants - Title XX		93.667	\$ 85,772
Promoting Safe and Stable Families (FAST)		93.556	96,766
Block Grants for Community Mental Health Services:			
Forensic Grant		93.958	1,339
Block Grants for Community Mental Health Services		93.958	<u>155,601</u>
Total Block Grants for Community Mental Health Services			156,940
Early Childhood Mental Health Grant		93.596	33,389
Medical Assistance Program (Medicaid) - Title XIX		93.778	2,178,436
ARRA Medical Assistance Program (Medicaid) - Title XIX		93.778	<u>368,105</u>
Total Medicaid Passed through the Ohio Department of Mental Health			2,546,541
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>			
Medical Assistance Program (Medicaid) - Title XIX		93.778	275,587
ARRA Medical Assistance Program (Medicaid) - Title XIX		93.778	<u>44,787</u>
Total Medicaid Passed through the Ohio Department of Alcohol and Drug Addiction			<u>320,374</u>
Total Medical Assistance Program (Medicaid) - Title XIX			2,866,915
Block Grants for Prevention and Treatment of Substance Abuse:			
Youth-Led Prevention		93.959	2,262
Substance Abuse Prevention Treatment Block Grant		93.959	484,890
Women's Program	20-01140-00-WOMEN		
	T-09-9027	93.959	133,338
	20-01140-00-WOMEN		
	T-10-9027	93.959	<u>29,062</u>
Total - Women's Program			<u>162,400</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>649,552</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 3,889,334</u></b>

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Four County Board of Alcohol, Drug Addiction, and Mental Health Service's (the Board's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE F - MATCHING REQUIREMENTS**

Certain Federal programs require the Board to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





# 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

Four County Board of Alcohol, Drug Addiction,  
and Mental Health Services  
Henry County  
T-761 State Route 66  
Archbold, Ohio 43502-9537

To Members of the Board:

We have audited the financial statements of Four County Board of Alcohol, Drug Addiction, and Mental Health Services, Henry County, (the Board) as of and for the year ended December 31, 2009, and have issued our report thereon dated June 29, 2010, wherein we noted the Board prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-004 and 2009-005 described in the accompanying schedule of findings to be material weaknesses.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Board'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 instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated June 29, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board, federal awarding agencies and pass-through entities, and others within the Board. 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

June 29, 2010



# Mary Taylor, CPA

Auditor of State

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

Four County Board of Alcohol, Drug Addiction,  
and Mental Health Services  
Henry County  
T-761 State Route 66  
Archbold, Ohio 43502-9537

To Members of the Board:

### Compliance

We have audited the compliance of the Four County Board of Alcohol, Drug Addiction, and Mental Health Services, Henry 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, 2009. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 those requirements.

In our opinion, the Four County Board of Alcohol, Drug Addiction, and Mental Health Services complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

### Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance not requiring inclusion in the report, that we reported to the Board's management in a separate letter dated June 29, 2010.

We intend this report solely for the information and use of the audit committee, management, the Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

June 29, 2010

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	GAAP - Adverse Regulatory - Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title XIX – Medical Assistance Program – CFDA #93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2009-001**

**Non-Compliance Citation**

**Ohio Revised Code § 5705.40** states that any appropriation ordinance or measure may be amended or supplemented as long as such amendment or supplement complies with all provisions of law governing the taxing authority in making an original appropriation. This has been interpreted to mean the governing body cannot delegate appropriation authority to the Fiscal Officer.

In 2009, the appropriations recorded by the Defiance County Auditor, as Fiscal Agent for the Board, did not match the Board's legally adopted appropriations by the following amounts:

Fund	Approved Appropriations	Posted Appropriations	Excess
General Fund	\$8,503,290	\$8,649,731	(\$146,441)
Women's Grant Fund	279,062	162,400	116,662
Community Plan Grant Fund	83,658	66,920	16,738
Title XIX Medicaid Fund	2,700,000	2,875,000	(175,000)
Substance Abuse, Prevention, and Treatment Grant Fund	716,333	202,940	513,393
Family Systems Team Grant Fund	110,000	76,137	33,863
Kids Block Grant Fund	64,590	25,835	38,755
System of Care Grant Fund	213,205	187,401	25,804

The budgetary note to the financial statements has been adjusted to reflect the correct appropriation amounts. Please list the individual funds and the amount applicable to each fund.

We recommend the Director of Finance and Administration monitor the budgetary transactions posted by the Board's fiscal agent.

#### FINDING NUMBER 2009-002

##### Non-Compliance Citation

**Ohio Revised Code § 5705.41(B)** states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter of the Ohio Revised Code.

As of December 31, 2009, disbursements plus year end encumbrances exceeded appropriations plus carryover encumbrances in the following funds:

Fund	Appropriations	Expenditures	Excess
Title XIX Medicaid Fund	\$2,725,000	\$3,042,745	(\$317,745)
Early Childhood Mental Health Fund	13,151	85,578	(72,427)
505 Block Grant Fund	56,335	100,000	(43,665)
Stimulus Medicaid Fund	100,710	255,918	(155,208)
Flex Grant Fund	1,056,886	1,528,371	(471,485)

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Board encountering deficit spending. The County Auditor, as Fiscal Agent for the Board, should not certify the availability of funds and should deny payment requests exceeding appropriations. The Director of Finance and Administration may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

#### FINDING NUMBER 2009-003

##### Non-Compliance Citation

**Ohio Revised Code § 5705.10** states all revenue derived from a special levy shall be credited to a special fund for which the levy was made, and all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Furthermore, money paid into any fund shall be used only for the purposes for which such fund is established.

We noted the following in 2009:

- \$1,136,353 in Flex Grant monies, were posted to the General Fund instead of the Flex Grant Fund. This represents fifty-two percent of Flex Grant Fund revenues.
- \$172,761 in American Recovery and Investment Act (ARRA) Medicaid monies were posted to the Medicaid Fund instead of the Stimulus Medicaid Fund. This represents forty-six percent of Stimulus Medicaid Fund revenues.
- \$161,642 in 505 Block Grant monies were posted to the General Fund instead of the 505 Block Grant Fund. This represents seven percent of 505 Block Grant Fund revenues.
- \$28,391 in Women’s Grant monies were posted to the Substance Abuse, Prevention, and Treatment Fund instead of the Women’s Grant Fund. This represents fourteen percent of the Women’s Grant Fund.

As a result, the financial statements did not correctly reflect the financial activity of the Board. The financial statements and accounting records have been adjusted so these transactions are reflected in the proper funds.

These situations could result in monies being used for purposes other than those prescribed by law. Furthermore, inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Board.

As part of the monitoring process, the Board should review financial records to make sure the amounts are reflected in the appropriate funds.

**FINDING NUMBER 2009-004**

**Material Weakness**

**Posting Estimated Resources**

Estimated resources reported by the Board’s fiscal agent differed from amounts approved by the Board and submitted to the County Budget Commission in the following funds by the following amounts:

<b>Fund</b>	<b>Approved Estimated Receipts</b>	<b>Posted Estimated Receipts</b>	<b>Variance</b>
General Fund	\$7,525,736	\$7,201,850	\$323,886
Title XX Fund	118,084	111,403	6,681
Women's Grant Fund	286,564	279,062	7,502
Titlte XIX Medicaid Fund	2,675,000	2,700,000	(25,000)
Substance Abuse, Prevention, and Treatment (SAPT) Grant Fund	733,577	716,333	17,244
Family Systems Team (FAST) Grant Fund	92,751	110,000	(17,249)
Systems of Care Grant Fund	106,602	71,068	35,534
505 Block Grant Fund	84,503	56,335	28,168
Stimulus Medicaid Fund	201,420	100,710	100,710
Early Childhood Mental Health (ECMH) Grant Fund	17,151	13,151	4,000
Flex Grant Fund	1,550,216	1,056,886	493,330
Forensic Grant Fund	4,566	2,627	1,939

The budgetary note to the financial statements has been adjusted to reflect the correct estimated resource amounts. Failure to accurately reflect budgetary figures in the accounting records could result in management basing their decisions on inaccurate information and could possibly result in deficit spending.

We recommend the estimated resources posted be based on amounts certified by the County Budget Commission. We also recommend the Board develop procedures to ensure proper posting to the accounting system and financial statements.

### **FINDING NUMBER 2009-005**

#### **Material Weakness**

##### **Monitoring of Financial Statements**

Accurate financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements are fairly stated. We noted the following accounting errors during our audit:

- Intergovernmental revenues were overstated by \$1,295,903 in the General Fund and understated by the same amount in the Special Revenue Funds.
- Contractual services disbursements were overstated in the General Fund and project fund disbursements were understated in the Special Revenue Funds by \$1,128,371
- Project fund disbursements were overstated in the Medicaid Fund and understated in the Stimulus Medicaid Fund by \$155,208.
- Intergovernmental revenues were overstated in the Medicaid Fund and understated in the Stimulus Medicaid Fund by \$172,761.
- Intergovernmental revenues were overstated in the Substance Abuse, Treatment, and Prevention Fund and understated in the Women's Grant Fund by \$28,391.

As a result, the financial statements did not correctly reflect the financial activity of the Board. The financial statements and accounting records have been restated to reflect these corrections.

The Board should adopt policies and procedures including a final review of the financial statements by the Director of Finance and Operations and the Board to ensure errors and omissions are detected and corrected.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None

#### **Officials' Response:**

We received no response from Officials to the findings reported above.



**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION  
AND MENTAL HEALTH SERVICES  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Finding for Recovery repaid under audit against Diana Sanders in the amount of \$2,615.46 for over payment of health care reimbursements	Yes	
2008-002	Recommendation the Board monitor financial statements	No	Repeated in this report as Finding 2009-005





**Mary Taylor, CPA**  
Auditor of State

**FOUR COUNTY BOARD OF ALCOHOL, DRUG ADDICTION,  
AND MENTAL HEALTH SERVICES**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 20, 2010**