



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

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

To the 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 a February 2, 2005 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 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.

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Betty Montgomery
Auditor of State

July 27, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties, (the Board), as of and for the year ended December 31, 2004. 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 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 December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments 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.

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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, 2004 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, 2004, 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 the Board, as of December 31, 2004, 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 December 31, 2004. 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 July 27, 2005, 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 form an opinion on the financial statements. U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* requires presenting a schedule of federal awards that is not a required part of the financial statements. We subjected the schedule of federal award 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.



Betty Montgomery
Auditor of State

July 27, 2005

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$1,040,060		\$1,040,060
Grants		\$7,393,397	7,393,397
Intergovernmental Revenue	110,780		110,780
Contract services	<u>56,272</u>		<u>56,272</u>
Total Cash Receipts	1,207,112	7,393,397	8,600,509
Cash Disbursements:			
Salaries		226,253	226,253
Supplies		6,247	6,247
Equipment		3,117	3,117
Contract - Repair		2,043	2,043
Contract - Services	803,820	127,703	931,523
Grants		6,876,828	6,876,828
Rentals		37,392	37,392
Advertising and Printing	47,496	3,616	51,112
Travel and Expenses		10,679	10,679
Public employee's retirement		49,738	49,738
Workers' Compensation		2,137	2,137
Other	<u>8,500</u>	<u>19,093</u>	<u>27,593</u>
Total Cash Disbursements	<u>859,816</u>	<u>7,364,846</u>	<u>8,224,662</u>
Total Receipts Over/(Under) Disbursements	347,296	28,551	375,847
Other Financing Receipts/(Disbursements):			
Refunds	176,296		176,296
Reimbursements		(12,849)	(12,849)
Other	<u>11,472</u>		<u>11,472</u>
Total Other Financing Receipts/(Disbursements)	<u>187,768</u>	<u>(12,849)</u>	<u>174,919</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	535,064	15,702	550,766
Fund Cash Balances, January 1	<u>3,937,116</u>	<u>(454,268)</u>	<u>3,482,848</u>
Fund Cash Balances, December 31	<u>\$4,472,180</u>	<u>(\$438,566)</u>	<u>\$4,033,614</u>
Reserves for Encumbrances, December 31	<u>\$207,973</u>	<u>\$140,571</u>	<u>\$348,544</u>

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

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Fiduciary Fund</u> <u>Agency Fund</u>
Cash Receipts:	
Rentals	<u>\$5</u>
Total Cash Receipts	5
Fund Cash Balance, January 1	<u>11,558</u>
Fund Cash Balance, December 31	<u>\$11,563</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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 and Recovery Services Board of Allen, Auglaize, and Hardin counties (the Board).

A sixteen-member Board is the governing body. Board members are appointed by the Board's Director and legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Allen, Auglaize, and Hardin Counties, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services.

The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. 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 basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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 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 accounts for all financial resources except those required to be accounted for in another fund.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(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 Funds:

408 Fund - This fund receives money from the Ohio Department of Mental Health to provide mental health services to severely mentally ill adults and children.

Ohio Department of Mental Health (ODMH) Medicaid Fund – This fund receives monies from the federal government (passed through ODMH) to provide specific eligible services to Medicaid eligible individuals.

3. Fiduciary Fund

This fund is used to account for resources for which the Board is acting in an agency capacity. The Board had the following significant Fiduciary Fund:

Council of Governments Fund – This fund represents the remaining cash balance of the Mental Health Board of Western Ohio, and the rental income from the buildings at 797 and 799 South Main Street, Lima, Ohio.

E. Budgetary Process

The Ohio Revised Code requires the Board to budget each fund annually (except certain agency funds).

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control for the General Fund and at the fund level for the Special Revenue Funds, 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 and amendments thereto. 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 re-appropriated.

A summary of 2004 budgetary activity appears in Note 2.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 year ended December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,308,540	\$1,394,880	\$86,340
Special Revenue	7,464,047	7,393,397	(70,650)
Total	\$8,772,587	\$8,788,277	\$15,690

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,840,540	\$1,067,789	\$772,751
Special Revenue	7,464,047	7,518,266	(54,219)
Total	\$9,304,587	\$8,586,055	\$718,532

Several Special Revenue funds had deficit cash fund balances at year end and throughout the year in violation of Ohio Rev. Code Section 5705.10.

3. PROPERTY TAX

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

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. RETIREMENT SYSTEM

The Board's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5 percent of their gross salaries which is paid by the Board. The Board also contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2004.

5. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

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

6. GRANTS

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state and federal governments. The grantor(s) may require refund of any disallowed costs. Management cannot presently determine any amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

7. CASH BALANCE

The cash balance at December 31, 2004, of \$4,033,614, includes a reserve in the amount of \$1,010,800, which was established by the Board in March of 2003 to fund a new 24 Hour Crisis Center. The Center began operation in November of 2004 with an approximate \$600,000 operating budget, and a capital expenditure account of \$500,000.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Project Number	Receipts	Disbursements
U.S. Department of Health and Human Services				
<i>Passed Through Ohio Department of Mental Health</i>				
Community Block Grant	93.958	01-BG01PLAN-03 01-BG01PLAN-04	\$41,210 41,208	\$32,418 46,882
Children/Adolescent Block Grant	93.958	01CS2-FY03 01-CD2-FY04	29,163 29,164	18,327 52,403
Total Block Grants for Community Mental Health Services			<u>140,745</u>	<u>150,030</u>
All Hazards Block Grant	93.003	FY 04 FY 05	6,391 3,200	6,391 3,200
Total All Hazards Block Grant			<u>9,591</u>	<u>9,591</u>
FAST	93.556	FY 05	21,896	
Social Services Block Grant - Title XX	93.667	FY 03 FY 04	138,127	72,106 89,369
Total Social Services Block Grant			<u>138,127</u>	<u>161,475</u>
Medical Assistance Program	93.778	FY 03 FY 04	993,019 822,385	825,313 818,401
Sub-total Medical Assistance Program			<u>1,815,404</u>	<u>1,643,714</u>
Total Ohio Department of Mental Health			2,125,763	1,964,810
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>				
Medical Assistance Program	93.778	FY 03 FY 04	95,518 89,277	98,726 98,826
Sub-total Medical Assistance Program			<u>184,795</u>	<u>197,552</u>
Total Medical Assistance Program			2,000,199	1,841,266
Alcohol, Drug and Rehabilitation Block Grant	93.959	01-BGD-FY03 01-BGD-FY04	291,037 97,198	202,729 298,682
Urban Minority Alcohol and Drug Addiction Services	93.959	0205004-00-UMP-03 0205004-00-UMP-04	82,467 41,233	41,233 123,700
Total Substance Abuse Prevention and Treatment Block Grant			<u>511,935</u>	<u>666,344</u>
Total - Ohio Department of Alcohol and Drug Addiction Services			<u>696,730</u>	<u>863,896</u>
Total Federal Assistance			<u><u>\$2,822,493</u></u>	<u><u>\$2,828,706</u></u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUB RECIPIENTS

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

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

NOTE C – MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

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

To the Members of the Board:

We have audited the financial statements of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, (the Board), as of and for the year ended December 31, 2004, and have issued our report thereon dated July 27, 2005, wherein we noted the Board 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 Board's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. Also, in a separate letter to the Board's management dated July 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

Mental Health and Recovery Services Board
Allen, Auglaize and Hardin Counties
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 27, 2005



Auditor of State Betty Montgomery

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

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

To the Members of the Board:

Compliance

We have audited the compliance of the Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, (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, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal program. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 27, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004**

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

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

FINDING NUMBER – 2004-001

Deficit Fund Balances

Ohio Rev. Code Section 5705.10, states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, deficit cash fund balances indicate that money from one fund was used to cover the expenses of other funds. The following funds had deficit cash fund balances at year end.

<u>Fund</u>	<u>Deficit Amount</u>
State 505	\$30,045
Youth Mentoring State Funds	9,625
Title XX	89,369
Ohio Department of Mental Health – Medicaid	158,268
Ohio Department of Alcohol and Drug Addiction – Medicaid	23,627
Alcohol per capita	201,483
Community Plan – Mental Health	5,674
Preadmission Screening and Annual Resident Reviews (PASARR)	2,600
Children School Base – Mental Health	23,239
Urban Minority Alcoholism and Drug Abuse Programs (UMADOP)	<u>82,467</u>
Total Special Revenue Funds	<u>\$626,397</u>

A cash advance could be a desirable method to resolve cash flow problems resulting from grants that are allocated on a reimbursement basis. An advance is intended to temporarily reallocate cash from one fund to another and involves an expectation of repayment. However, advances are subject to the following requirements:

- a) Any advance must be clearly labeled as such, and must be distinguished from a transfer, which is intended to reallocate money permanently from one fund to another;
- b) In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
- c) The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- d) Advances must be approved by a formal resolution of the taxing authority of the subdivision and must include: a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

In addition, **Ohio Revised Code Sections 5705.14 through 5705.16** allow the transfer of money from the general fund to any other fund by a majority vote of the board, and from any other fund to another fund through approval of the court of common pleas and the tax commissioner.

Advances or transfers from the General Fund should be considered to prevent deficit cash fund balances. Guidance for approving and accounting for advances is included in Auditor of State Bulletin 97-003.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
ALLEN, AUGLAIZE AND HARDIN COUNTIES
DECEMBER 31, 2004**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Revised Code Section 5705.10, Deficit Fund Balances	No	The Executive Director and Chief Financial Officer consulted the Board concerning the possibility of advancing funds to prevent negative fund balances. Their conclusion was that, since the funds with significant negative balances are for reimbursing grants, the negative balances are short term and advancing to cover these negative balances would be cumbersome and confusing.



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MENTAL HEALTH AND RECOVERY SERVICES

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 30, 2005**