

**EASTERN MIAMI VALLEY ALCOHOL,
DRUG ADDICTION, MENTAL HEALTH
SERVICES (ADAMHS) BOARD**

Financial Statements

June 30, 2000

with

Independent Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Eastern Miami Valley ADAMHS Board

We have reviewed the Independent Auditor's Report of the Eastern Miami Valley ADAMHS Board, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 1999 to June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Eastern Miami Valley ADAMHS Board is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

August 28, 2001

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EASTERN MIAMI VALLEY ADAMHS BOARD

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Trustees
Eastern Miami Valley ADAMHS Board
Springfield, Ohio

We have audited the accompanying financial statements of the Eastern Miami Valley ADAMHS Board (the Board) as of and for the year ended June 30, 2000. 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 generally accepted auditing standards 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 in Note 1, the Board prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principals.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the combined fund cash balances of the Eastern Miami Valley ADAMHS Board as of June 30, 2000, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 18, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Board, taken as a whole. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board, management, the Auditor of State and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended and should not be used by anyone other than these specified parties.

Clark Schaefer Hackett & Co.

Springfield, Ohio

June 18, 2001

EASTERN MIAMI VALLEY ADAMHS BOARD
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, 2000

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Fiduciary Funds	
Cash Receipts:				
Taxes	\$ 5,514,133	-	-	5,514,133
Intergovernmental	559,210	13,746,420	371,660	14,677,290
Rental income	606,940	-	-	606,940
Charges for services	-	-	8,259	8,259
Miscellaneous	<u>208,648</u>	<u>28,700</u>	<u>21,006</u>	<u>258,354</u>
Total Cash Receipts	<u>6,888,931</u>	<u>13,775,120</u>	<u>400,925</u>	<u>21,064,976</u>
Cash Disbursements:				
Salaries	928,333	1,515	145,436	1,075,284
Benefits	230,385	-	37,889	268,274
Supplies and materials	43,893	1,320	15,930	61,143
Capital outlay/equipment	221,996	-	-	221,996
Repairs	140,272	2,197	-	142,469
Contract services	5,061,652	13,520,133	193,171	18,774,956
Rental expenses	58,710	7,250	-	65,960
Advertising and printing	8,422	-	8,330	16,752
Travel expense	25,036	369	23,436	48,841
Debt expense	21,533	-	-	21,533
Miscellaneous	<u>331,725</u>	<u>19,966</u>	<u>33,923</u>	<u>385,614</u>
Total cash disbursements	<u>7,071,957</u>	<u>13,552,750</u>	<u>458,115</u>	<u>21,082,822</u>
Total receipts over/(under) disbursements	(183,026)	222,370	(57,190)	(17,846)
Other financing receipts/(disbursements):				
Refund of prior year disbursement	119,018	-	2,094	121,112
Proceeds from sale of assets	294,300	-	-	294,300
Transfers-in	37,616	-	20,124	57,740
Transfers-out	<u>-</u>	<u>(57,740)</u>	<u>-</u>	<u>(57,740)</u>
Total other financing receipts/ (disbursements)	<u>450,934</u>	<u>(57,740)</u>	<u>22,218</u>	<u>415,412</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	267,908	164,630	(34,972)	397,566
Fund balances at beginning of year - as restated (see note 8)	<u>1,004,985</u>	<u>501,175</u>	<u>34,972</u>	<u>1,541,132</u>
Fund balances at end of year	\$ <u>1,272,893</u>	<u>665,805</u>	<u>-</u>	<u>1,938,698</u>

See accompanying notes to the financial statements.

EASTERN MIAMI VALLEY ADAMHS BOARD

Notes to the Financial Statements

June 30, 2000

1. Summary of Significant Accounting Policies:

Reporting entity

The Eastern Miami Valley Alcohol, Drug Addiction and Mental Health Services Board of Clark, Greene and Madison Counties (the Board), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is directed by an eighteen-member Board. Board members are appointed by the Board's Director and the legislative authorities of the political subdivisions making up the Board. Those subdivisions are the Clark, Greene and Madison County Commissioners, Ohio Department of Alcohol and Drug Addiction Services (ODADAS), and Ohio Department of Mental Health (ODMH). The Board provides alcohol, drug addiction, and mental health services and programs to citizens in Clark, Greene and Madison Counties primarily through contracts with private and public agencies.

The Clark County Auditor and the Clark County Treasurer serve respectively as fiscal officer and custodian of all public funds. The Board's management believes these financial statements present all activities for which the Board is financially accountable.

Basis of accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received rather than when earned, and disbursements are recognized 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).

Cash

As required by Ohio Revised Code, the Board's cash is held and invested by the Clark 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 carrying amount.

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:

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 to be accounted for in another fund.

EASTERN MIAMI VALLEY ADAMHS BOARD

Notes to the Financial Statements

June 30, 2000

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary (Agency) Funds - These funds are used to account for resources restricted by funds for which the Board is acting in an agency capacity. The Board's Fiduciary Funds include the Clark County Family and Children First Council and the Prevention Academy, which are independent organizations of which the Board serves as fiscal officer.

Budgetary process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, or account 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 July 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 fiscal year 2000 budgetary activity appears in Note 2.

Property, plant and equipment

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

Unpaid vacation and sick leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Board.

EASTERN MIAMI VALLEY ADAMHS BOARD

Notes to the Financial Statements

June 30, 2000

2. Budgetary Activity:

Budgetary activity for the year ending June 30, 2000 follows:

<u>2000 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 6,650,951	7,339,865	688,914
Special revenue	14,924,772	13,775,120	(1,149,652)
Agency	<u>684,503</u>	<u>423,143</u>	<u>(261,360)</u>
Total	\$ <u>22,260,226</u>	<u>21,538,128</u>	<u>(722,098)</u>

<u>2000 Budgeted vs. Actual Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 5,019,540	7,071,956	(2,052,416)
Special revenue	14,924,772	13,610,490	1,314,282
Agency	<u>684,503</u>	<u>458,114</u>	<u>226,389</u>
Total	\$ <u>20,628,815</u>	<u>21,140,560</u>	<u>(511,745)</u>

The Board did not approve a complete tax budget as noted in the compliance report, except as submitted via the funding source (OMDH/ODADAS) budget format.

3. Long-Term Obligations:

Long-term obligations of the Board as of June 30, 2000, were as follows:

The Board received five mortgage loans payable with original balances of \$100,000, \$58,146, \$128,006, \$225,200 and \$131,000 from the State of Ohio to fund construction projects. These loans are being forgiven by the State over 40 years, as long as the use of these facilities continues to provide mental health services. The loans are exempt from the debt limitations established by Section 5705.19 of the Ohio Revised Code.

Promissory Note for the purchase of property totaling \$216,000, issued on June 30, 1999, to The Ohio Bank beginning at 8.530% interest, for a period of 20 years, with final maturity in fiscal year 2019.

EASTERN MIAMI VALLEY ADAMHS BOARD

Notes to the Financial Statements

June 30, 2000

Principal and interest requirements to at June 30, 2000, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 4,611	18,140	22,751
2002	5,025	17,725	22,750
2003	5,468	17,282	22,750
2004	6,024	16,727	22,751
2005-2009	38,353	76,909	115,262
2010-2014	61,251	54,011	115,262
2015-2019	<u>91,086</u>	<u>24,175</u>	<u>115,261</u>
Total	\$ <u>211,818</u>	<u>224,969</u>	<u>436,787</u>

4. 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 reported in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semi annual payment, 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.

5. Retirement Systems:

The Board's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2000, PERS members contributed 8.5% of their gross salaries. The Board contributed an amount equal to 13.55% for the first half and 10.84% of participants' gross salaries during second half of fiscal 2000. The Board has paid all contributions required through June 30, 2000. See Clark County, Ohio financial report for complete pension disclosure.

EASTERN MIAMI VALLEY ADAMHS BOARD

Notes to the Financial Statements

June 30, 2000

6. Ohio Deferred Compensation Program:

Employees of the Board may elect to participate in the Ohio Public Employees Deferred Compensation Program. The program is a deferred compensation plan under Internal Revenue Code Section 457. Employees may elect to defer a portion of their pay until a later date, normally retirement.

7. Risk Management:

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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

8. Contingencies:

The Board received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. Restatement of Fund Balance:

In fiscal year 2000, the Board reassessed the funding sources for each of its programs and activities. In addition, one of the programs reported as an agency fund in fiscal year 1999, was considered a provider agency in fiscal year 2000. This resulted in the change in the beginning fund balance for fiscal year 2000. As a result, beginning fund balance reported at July 1, 1999 was changed as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Fiduciary Funds</u>
Fund balance at July 1, 1999 as previously reported	\$ 1,524,054	-	17,077
Adjustment for changes noted above	<u>(519,069)</u>	<u>501,175</u>	<u>17,895</u>
Fund balance at July 1, 1999 as restated	\$ <u>1,004,985</u>	<u>501,175</u>	<u>34,972</u>

EASTERN MIAMI VALLEY ADAMHS BOARD

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 2000

<u>Grant Title</u>	<u>CFDA Number</u>	<u>Pass-through Number</u>	<u>Grant Receipts</u>	<u>Grant Disbursements</u>
From the U.S. Department of Education:				
Pass-through Ohio Department of Alcohol and Drug Addiction:				
Safe and Drug Free Schools and Communities Act - Prevention Academy	84.186A	12-12924-03- DFS-P-00-9067	41,000	41,000
From the U. S. Department of Human Services:				
Pass-through Ohio Department of Mental Health:				
Block Grants:				
Housing Assistance Grant	93.992	(1)	224,122	224,122
Community Plan	93.992	(1)	205,046	205,046
Child Development	93.992	(1)	57,895	57,895
Total Block Grants:			487,063	487,063
Title XX	93.667	(1)	335,671	351,348
Title XIX	93.778	(1)	3,498,247	3,269,767
Pass-through Ohio Department of Alcohol and Drug Addiction:				
Block Grants:				
HIV Early Intervention	93.959	(1)	73,755	73,755
Women and Children's Treatment Program	93.959	12-12643-01- W-T-00-9925	153,750	205,000
Women's Recovery Center (2)	93.959	12-12622-02- WFS-T-00-9045	266,689	266,689
Drug Treatment, Prevention and IV Users	93.959	(1)	1,116,343	1,116,343
"We Too"	93.959	12-12713-03- DFC-P-00-9115	60,363	60,363
Teens Getting it Together	93.959	12-12508-01 W-T-00-9905	35,579	35,579
Sharing Time and Talent	93.959	12-12924-02 DFS-P-00-9836	30,750	24,959
Big Brothers/Big Sisters Serving Madison County	93.959	12-12280-01 DFS-P-00-9837	30,750	35,874
Total Block Grants			1,767,979	1,818,562
Title XIX	93.778	(1)	268,621	244,268
			\$ 6,398,581	6,212,008

(1) Pass-through; number not available

(2) This grant was received for the benefit of Women's Recovery Center. These funds support persons other than traditional Board clients.

See accompanying notes to this schedule

EASTERN MIAMI VALLEY ADAMHS BOARD
Notes to the Schedule of Federal Award Expenditures
June 30, 2000 and 1999

1. Significant Accounting Policies:

The accompanying schedule of federal award expenditures is a summary activity of all federal awards programs of the Eastern Miami Valley ADAMHS Board. The schedule has been prepared on the cash basis of accounting.

2. Sub-Recipients:

The Board obtains grants through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and contracts with sub-recipient agencies for providing services.

The sub-recipient agencies have certain compliance responsibilities related to administering these federal programs. Under OMB 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 that performance goals are achieved.

Board subsidies were allocated to the following ODMH provider agencies for 2000:

TCN Behavioral Health Services
Mental Health Services, Inc. for Clark County
Elderly United of Springfield and Clark County

Board subsidies were allocated to the following ODADAS provider agencies for 2000:

Clark County Juvenile Court
Big Brothers/Big Sisters of Madison County
McKinley Hall
The Women's Recovery Center
TCN Behavioral Health Services
Mental Health Services, Inc. for Clark County



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Trustees
Eastern Miami Valley ADAMHS Board
Springfield, Ohio

We have audited the financial statements of the Eastern Miami Valley ADAMHS Board (the Board), as of and for the year ended June 30, 2000, and have issued our report thereon dated June 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2000-52851-001 and 2000-52851-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Board in a separate letter dated June 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-52851-003.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-52851-003 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Board in a separate letter dated June 18, 2001.

This report is intended for the information of the Board, management, the 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 these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 18, 2001



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

Board of Trustees
Eastern Miami Valley ADAMHS Board
Springfield, Ohio

Compliance

We have audited the compliance of the Eastern Miami Valley ADAMHS Board (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 are applicable to each of its major federal programs for the year ended June 30, 2000. 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 each of 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 generally accepted auditing standards; 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 of the Board's compliance with those requirements.

As described in items 2000-52851-004 and 2000-52851-005 in the accompanying schedule of findings, the Board did not comply with requirements regarding cash management and subrecipient monitoring that are applicable to its Title XIX major program. Compliance with such requirements is necessary, in our opinion, for the Board to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2000. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the Board in a separate letter dated June 18, 2001.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Board's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2000-52851-006.

A material weakness is a 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control cover compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-52851-006 to be a material weakness.

This report is intended for the information of the Board, management, the 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 these specified parties.

Clark Schaefer, Hackett & Co.

Springfield, Ohio

June 18, 2001

EASTERN MIAMI VALLEY ADAMHS BOARD
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2000

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	Title XIX CFDA # 93.778 Block Grants CFDA # 93.992
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

EASTERN MIAMI VALLEY ADAMHS BOARD
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2000

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

Finding Number	2000-52851-001
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A joint county mental health board, as the taxing authority of a subdivision, is responsible for their preparation of a tax budget. Ohio Revised Code Section 5705.28 requires each taxing authority to adopt a tax budget by January 15 of each year for the ensuing fiscal year. The budget must be submitted to the county auditor, their fiscal agent, on or before January 20. In addition, the Board must submit an estimate of contemplated revenues and expenditures for each county in which an appropriation is desired. The county auditor must certify to the budget commission the total amount from all sources available for expenditure from each fund set up in the tax budget, with unencumbered balances from the preceding year in accordance with Ohio Revised Code Section 5705.36. An annual appropriation resolution must be adopted at the end of each year in order for expenditures to be made in the following year. Ohio Revised Code Section 5705.40. The Board must certify the total amount of revenues from all sources available for expenditures from each fund along with balances that existed at the end of the preceding year to the county auditor. Currently, only the budget related to general fund administrative expenditures are adopted and approved by the Board. Budget amounts for resources and other expenditures are prepared by the County at the beginning of each year, however, these budgeted amounts are not adopted by the Board.

We recommend the Board adopt guidelines and procedures to ensure all legally required budget documents are prepared and submitted to the appropriate authority within the timeframe specified.

Finding Number	2000-52851-002
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Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. General fund expenditures exceeded appropriations for fiscal year 2000.

We recommend the Board continuously monitor appropriations throughout the year, to ensure actual expenditures and encumbrances do not exceed appropriation levels.

Finding Number	2000-52851-003
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During fiscal year 2000, the Board made a decision to implement a new accounting system. Financial information was not entered into the new system until after the fiscal year ended and there were also some technical difficulties with the new system that needed to be worked out. The Board did not have another reliable accounting system in place during this conversion to ensure financial information was process effectively and timely during this period. Instead, the Board relied on the County Auditor's financial reports, which did not properly segregate the different funding sources or

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programs as required. These issues hindered the Board's ability to produce timely financial reports for the audit and resulted in the Board missing required filing deadlines at the state and federal levels.

The Board should continue making efforts to bring its accounting system up-to-date and then once it is current, ensure they do not fall behind in posting the information in the future. Keeping the accounting system current, should allow the Board to produce accurate and reliable financial reports on a timely basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2000-52851-004
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Title XIX – Medicaid program
CFDA No. 93.778

The Board did not identify the source and nature of the funds it passes through to its provider agencies when the distributions were made. Instead a reconciliation process completed after year end was used to identify the nature of the funding provided. Failure to identify the source and nature of the funds passed through to the provider agencies, in some cases, prevented provider agencies from accurately recording revenue as federal, state or local monies as well as not being able to separately identify federal dollars by program.

OMB Circular A-133 (d)(1), in part, requires “a pass-through entity to identify federal awards made by informing each subrecipient of CFDA title and number, award year, if the award is R&D, and name the federal agency”. The Board did not provide this information to their provider agencies as noted above.

The Board must provide the nature and source of each funding remittance as they are made to the provider agencies to ensure all federal dollars are properly recorded, monitored and reported. This will also allow the provider agencies to know what restrictions are on what dollars.

Finding Number	2000-52851-005
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Title XIX – Medicaid program
CFDA No. 93.778

Effective July 1, 1999, the Board's Medicaid contract, Section C(1), with the Ohio Department of Mental Health or ODADAS, requires the Board to pay the provider agencies in full for Medicaid claims submitted for reimbursement to ODMH/ODADAS. The Board must demonstrate that these payments are made from nonfederal public funds.

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During fiscal year 2000, the Board did not pay the providers in full for the Medicaid claims submitted for reimbursement to ODMH/ODADAS. Instead, the Board paid their providers one-twelfth of the Boards local portion allocation. The federal funds were then provided once reimbursement was received from the State when the Medicaid claims were processed and validated.

The Board should develop and implement policies and procedures to ensure they process Medicaid claims in a manner consistent with the Medicaid agreement it has entered into with Ohio Department of Mental Health and Ohio Department of Alcohol and Drug Addiction Services.

Finding Number	2000-52851-006
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Title XIX – Medicaid program
CFDA No. 93.778

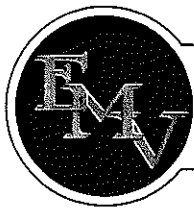
The Board does not have adequate procedures or internal controls in place to ensure it is complying the laws and regulations governing the Title XIX – Medicaid program throughout the year. Instead, the Board performs year-end procedures to help identify the nature and source of funding paid to providers, as well as, paying one twelfth of the local allocation to the provider agencies instead of paying the entire claim when presented as required. Failure to comply with the laws and regulation governing the program could jeopardize future funding agreements.

The Board should develop and institute adequate policies and procedures designed to ensure compliance with all laws and regulations throughout the year.

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4. SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Implementation Status
1999-52851-001	Ohio Rev. Code Section 5705.28 - Tax Budget	No	Not Corrected - Compliance finding repeated in current year audit.
1999-52851-002	Ohio Rev. Code Section 5705.09 - Establishment of Funds	Yes	Corrected
1999-52851-004	Ohio Rev. Code Section 57051.41(B) - Expenditures exceeding Appropriations	No	General Fund expenditures exceeded appropriations in fiscal 2000 - Compliance finding repeated in current year audit.
1999-52851-004	Accounting records did not adequately substantiate amounts reported on the financial statements.	Yes	Corrected



Eastern Miami Valley Alcohol, Drug Addiction
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Paul W. VanderSchie, ACSW
President/CEO

After a through review of the FY2000 audit of the Eastern Miami Valley Alcohol, Drug Addiction and Mental Health Services Board, there are several points of clarification that we believe must be made.

Finding Number 2000-52851-001

Based on the opinion of our legal counsel, we believe that the auditor has misinterpreted the status of the EMV ADMH Board as a "taxing authority". Multi-county ADMH Boards are generally their own taxing authority in regards to issuing levies, while single county Boards work through the county commissioners. If an ADMH Board is a "taxing authority" it is required to prepare a tax budget and submit it to the county auditor. Since becoming a multi-county Board we have done this intermittently but not consistently because it is unclear if we are or are not a taxing authority. Although we are a multi-county Board we do not have direct taxing authority. As a part of the merger agreement, this power resides with the county commissioners. A review of the Ohio Revised Code states that "a taxing unit that does not levy a tax is not a taxing unit for purposes of Chapter 5705 of the Revised Code. Documents prepared in accordance with such sections are not required to be filed with the county budget commission." The EMV ADMH Board does not levy taxes. All taxes are levied by either the Greene or Clark county commissioners. Each county determines the amount and duration of its individual levy. Each levy is, by agreement, spent on services for that county.

Finding Number 2000-52851-002

Once again we believe that the auditor has misinterpreted the status of the EMV ADMH Board as a "taxing authority". This requirement was not applicable under not-for-profit status but is part of governmental accounting requirements as a taxing unit. During FY2000 we submitted our appropriations to the Board, because we felt it was important for the Board to have this information. However, we did not ask the Board for a motion to authorize this allocation, which is required of a taxing authority under governmental accounting procedures, but is not required as a non-taxing authority. As a multi-county Board it is necessary to use governmental accounting

procedures. **However, we believe that the requirements applicable to taxing authorities do not apply to the EMV Board.**

Had the Board been instructed by Clark, Schaffer, Hackett & Co. to transition to governmental accounting procedures prior to FY1999, the transition would have been complete prior to the implementation to MACSIS. This would have avoided the necessity of implementing two major projects during the same fiscal year and would have insured a more orderly transition. Unfortunately, when organizations are forced to implement major business practice changes which impact organizational functioning, they run the risk of committing oversights.

Finding Number 2000-52851-004, 005, 006

Our auditor agrees that these findings do not require any payback and that appropriate match was provided for the FFP for all agencies. The perception is that we did not uniquely identify and supply match as it was billed off the remittance advice. This has been corrected effective July 1, 2001. In adjusting to MACSIS and governmental accounting procedures, we understood the purpose of identifying the match and we fulfilled the purpose of identifying the match. However, we misunderstood that the process was a requirement as opposed to a guideline or recommendation. Thus we opted to soften the adjustment of moving to a strict fee-for-service funding mechanism by front loading funds to the agencies (1/12th of the annual allocation each month). This was done to help alleviate the difficulty agencies would have adjusting to payment on a strict fee-for-service basis. We were particularly concerned for our major agency in Greene County, which had minimal reserves, was using a line of credit to meet payroll, and owed the Board approximately one year back rent. This is not to say that funds could not have been better identified. The focus was on helping our agencies survive this difficult transition and was a procedural oversight only.

While there were procedures that were in need of correction, and have since been corrected, all funds are accounted for, there are no paybacks, and there has been no misappropriation of funds.

MARTIN, BROWNE, HULL & HARPER, P.L.L.

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July 11, 2001

Paul VanderSchie, Executive Director
Eastern Miami Valley ADAMHS Board
1055 East High Street
Springfield, Ohio 45505

Via facsimile and regular mail

Re: Board's Legal Obligations under R.C. Chapter 5705

Dear Mr. VanderSchie:

As you are aware, a joint-county alcohol, drug addiction, and mental health service district is defined in R.C. 5705.01(A) as a subdivision and the board of the district is defined in R.C. 5705.01(C) as a taxing authority for purposes of R.C. Chapter 5705, which pertains to tax levies and other fiscal matters.

I understand that the Board's auditor is proposing two findings against the Board based on a supposed failure to prepare or submit certain reports and documents supposedly required by Chapter 5705. In our opinion, some aspects of the proposed findings overlook the fact that the Board "does not levy a tax."

When the Board was first created, effective 1995 as a the result of the merger of the former Clark and Greene boards, the merger agreement approved by the Clark and Greene County boards of commissioners provided that tax levies would be put on only in the individual counties, and that the joint county board would not put on its own separate levy. This provision was repeated in the agreements approved by the Clark, Greene, and Madison County boards of commissioners when the Board merged with the former Madison County Board, effective 1997.

At no time since it has been a joint county board has the Board levied a tax. Rather, the voters of Greene and Clark County have on separate occasions approved tax levies proposed by the respective Boards of Commissioners.

In the first proposed Finding on this issue, the auditor states:

A joint county mental health board, as the taxing authority of a subdivision is responsible for their preparation of a tax budget. Ohio Revised Code Section 5705.28 requires each taxing authority to adopt a tax budget by January 15 of each year for the ensuing fiscal year. The [tax] budget must be submitted to the county auditor, their fiscal agent, on or before January 20.

These statements are not an accurate summary of R.C. 5705.28, as it applies to the Board.

First, the deadline for adopting the tax budget set forth in the statute is July 15; a January 15 deadline applies only to school districts. See, R.C. 5705.28(A)(1) and (2).

Second and more significantly, R.C. 5705.28(B)(2)(a) and (b) read as follows:

(2)(a) The taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

(b) Except for this section and sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, and 5705.45 of the Revised Code, a taxing unit that does not levy a tax is not a taxing unit for purposes of Chapter 5705. of the Revised Code. Documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

The Eastern Miami Valley Alcohol, Drug Addiction, and Mental Health Services Board falls precisely under these provisions, since as set forth above, it does not levy a tax, and never has. Thus, the Board is not required to adopt a tax budget. Rather, it must adopt an operating budget. And that operating budget is not required to be filed with any of the county auditors or county budget commissions of the three counties included in the Board's district.

The Auditor's Finding goes on to state:

In addition, the Board must submit an estimate of contemplated revenues and expenditures for each county in which an appropriation is desired. The county auditor must certify to the budget commission the total amount from all sources available for expenditure from each fund set up in the tax budget, with unencumbered balances from the preceding year in accordance with Ohio Revised Code Section

5705.36. An annual appropriation resolution must be adopted at the end of each year in order for expenditures to be made in the following year. Ohio Revised Code Section 5705.40. The Board must certify the total amount of revenues from all sources available for expenditures from each fund along with balances that existed at the end of the preceding year to the county auditor. Currently, only the budget related to general fund administrative expenditures are adopted and approved by the Board. Budget amounts for resources and other expenditures are prepared by the County at the beginning of each year, however, these budgeted amounts are not adopted [approved] by the Board.

The auditor's summary of the cited statutes, R.C. 5705.36, is basically accurate, although the relevance of the reference to R.C. 5705.40, pertaining to amendments, unencumbered amounts, and contingencies, is not entirely clear. However, the portion of R.C. 5705.36 requiring submission to the county auditor does not apply to the Board. As noted above, although R.C. 5705.28(A)(2)(b) lists R.C. 5705.36 as one of the statute applicable even to a taxing unit that does not levy a tax, it also states that "[d]ocuments prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission."

Thus, as long as the operating budget adopted by the Board in accordance with R.C. 5705.28 identifies "the total amount from all sources available for expenditures from each fund" as required by R.C. 5705.36(A)(1), it would appear that the requirements of R.C. 5705.36 are met. The accuracy of the Auditor's statement that the Board has approved only general fund administrative expenditures should be considered in light of this legal analysis.

The Auditor's Finding Number 2 reads as follows:

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. General fund expenditures [of the Board] exceeded appropriations for fiscal year 2000.

R.C. 5705.41 is one of the statutes listed in R.C. 5705.28(B)(2)(b) as applying to a taxing unit that does not levy a tax. R.C. 5705.28(B)(2)(c) goes on to state that "The total appropriations from each fund of a taxing unit that does not levy a tax shall not exceed the total estimated revenue available for expenditures from the fund, and appropriations shall be made from each fund only for the purposes for which the fund is established. Thus, it would appear that R.C. 5705.41(B) does apply to the Board. It is my understanding that the auditor has concluded that the Board did not make any appropriations for fiscal year. That conclusion may or may not be accurate because, in my opinion, if the operating budget adopted by the Board is sufficiently detailed the adoption of the budget could be the appropriations process. Here again, the accuracy of the Auditor's statement should be considered in light of this legal analysis.

In conclusion, it is my opinion, that the first five sentences of the auditor's proposed Finding Number 1 and the reference in the seventh sentence to the county auditor are not accurate because

Paul VanderSchie

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they are based on the erroneous legal assumption that the Board is required to prepare and submit various budgets and reports to county officials. Since the Board does not levy a tax, the statutory provisions underlying this part of the finding do not apply to the Board.

The other aspects of Finding Number 1, and Finding Number 2, which relate to the process of appropriation and estimating revenues and expenditures, do apply to the Board. Whether or not the Board has fully complied with those procedures depends upon the scope and level of detail of the operating budget adopted by the Board.

I hope that the information in this letter is helpful. Please contact me if you have any further questions concerning this matter.

Very truly yours,

MARTIN, BROWNE, HULL & HARPER, P.L.L.

A handwritten signature in cursive script that reads "Lauren M. Ross". The signature is written in black ink and is positioned above the printed name.

Lauren M. Ross

cc: David A. Weaver. Esq.



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EASTERN MIAMI VALLEY ADAMH SERVICES BOARD

CLARK 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
SEPTEMBER 4, 2001**