



**Auditor of State
Betty Montgomery**

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
MERCER, VAN WERT, AND PAULDING COUNTIES**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2005	3
Basic Financial Statements:	
Statement of Net Assets – Cash Basis - June 30, 2005.....	9
Statement of Activities – Cash Basis - For Fiscal Year Ended June 30, 2005	10
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds - June 30, 2005	11
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - Cash Basis - Governmental Funds - For the Fiscal Year Ended June 30, 2005.....	12
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budgetary Basis - General Fund For the Fiscal Year Ended June 30, 2005	13
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budgetary Basis – Mental Health State Fund For the Fiscal Year Ended June 30, 2005	14
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budgetary Basis – Mental Health Federal Fund For the Fiscal Year Ended June 30, 2005	15
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budgetary Basis – Alcohol and Drug Federal Fund For the Fiscal Year Ended June 30, 2005	16
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2005	17
Schedule of Federal Awards Expenditure.....	25
Notes to the Schedule of Federal Awards Expenditures	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	27
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.....	29
Schedule of Findings.....	31

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Tri-County Alcohol, Drug Addiction and Mental Health Services Board
Mercer, Van Wert and Paulding Counties
1054 S. Washington Street, Suite A
P.O. Box 269
Van Wert, Ohio 45891

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, (the Board), as of and for the year ended June 30, 2005, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Mental Health State, Mental Health Federal, and Alcohol and Drug Federal funds for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended June 30, 2005, the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

May 19, 2006

**TRI COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
OF VAN WERT, MERCER AND PAULDING COUNTIES
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

This discussion and analysis of the Tri County Alcohol, Drug Addiction and Mental Health Services Board of Van Wert, Mercer and Paulding Counties (the Board) financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2005, within the limitations of the Board's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

Financial Highlights

Key highlights for Fiscal Year 2005 are as follows:

Net assets increased \$75,402.

The Board's general receipts accounted for \$1,202,069 in receipts or approximately 22% of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$4,327,619 or approximately 78% of total receipts of \$5,529,688.

The Board had \$5,454,286 in disbursements, of which \$5,023,589 was for mental health and dependency rehabilitation contract services.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's cash basis of accounting. This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Tri County ADAMHS Board as a financial whole, and entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. Governmental financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the Board as a Whole

Statement of Net Assets–Cash Basis and Statement of Activities–Cash Basis

While this document contains information used by the Board to provide programs and services for its service area, the view of the Board as a whole looks at all the financial transactions and asks the question, "How did we do financially during the fiscal year 2005?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Board's net assets and changes in those assets.

This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, all of the Board's activities are considered to be Governmental Activities.

Governmental Activities – The Board's only program and associated services are reported here.

**TRI COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
OF VAN WERT, MERCER AND PAULDING COUNTIES
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the Board's Financial Statements

Governmental Financial Statements

Governmental financial fund statements provide detailed information about the Board's major funds. The Board's activities are reported in the governmental fund financial statements, which focus on how money flows and the balance left at year end and available for spending in future periods. These governmental financial statements are reported on a cash basis of accounting. The governmental financial statements provide a detailed short-term view of the Board's mental health and dependency rehabilitation operations and the services they provide. Governmental information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance mental health and dependency rehabilitation programs.

The Board as a Whole

Table 1 provides a summary of the Board's net assets for Fiscal Year 2005 compared to Fiscal Year 2004.

**Table 1
Net Assets**

	Governmental Activities	
	2005	2004
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$1,009,461	\$934,059
Net Assets:		
Unrestricted	\$666,991	\$611,205
Restricted	342,470	322,854
Total Net Assets	\$1,009,461	\$934,059

As shown in table 1, the Board's total assets increased by \$75,402 from Fiscal Year 2004 to Fiscal Year 2005. This increase was due mainly to the Board receiving a one-time payment from The Ohio Department of Jobs and Family Services, through The Ohio Department of Mental Health, as a reimbursement to the Board for past administration of Medicaid.

Table 2 reflects the changes in net assets in Fiscal Year 2005. Since this is the first year the Board has prepared financial statements following GASB Statement 34, receipt and disbursement comparisons to Fiscal Year 2004 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**TRI COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
OF VAN WERT, MERCER AND PAULDING COUNTIES
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Capital Grants and Contributions	\$4,327,619
Total Program Receipts	4,327,619
General Receipts:	
Property and Other Local Taxes	1,000,000
Entitlements	182,008
Other	20,061
Total General Receipts	1,202,069
Total Receipts	5,529,688
Disbursements:	
Mental Health and Dependency Rehabilitation	5,454,286
Total Disbursements	5,454,286
Change in Net Assets	\$75,402

In Fiscal Year 2005, approximately 78% of the Board's total receipts consisted of Program specific receipts in the form of operating grants and contributions.

Of the Program specific receipts, 78% were for Mental Health programs, and the remaining 22% were for Alcohol and Drug rehabilitation programs.

General receipts represent 22 percent of the Board's total receipts, and of this amount, 83 percent is the result of property taxes. Entitlements basically make up the balance of the Board's general receipts. Other receipts are very insignificant and somewhat unpredictable receipt sources.

In Fiscal Year 2005, 92% of the Board's cash disbursements were for client specific services or needs.

Governmental Activities

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 show the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by the property tax receipts and unrestricted state entitlements.

**TRI COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
OF VAN WERT, MERCER AND PAULDING COUNTIES
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services	
	Total Cost of Services 2005	Net Cost of Services 2005
Mental Health and Dependency Rehabilitation		
Salaries	\$214,653	\$214,653
Supplies	5,500	5,500
Equipment	6,473	6,473
Grants	5,023,589	695,970
Contract Services	34,121	34,121
Rentals	21,400	21,400
Advertising and Printing	2,019	2,019
Travel and Expenses	9,983	9,983
Public Employee's Retirement	49,445	49,445
Workers Compensation	2,738	2,738
Other Expenses	84,365	84,365
Total Disbursements	<u>\$5,854,286</u>	<u>\$1,126,667</u>

The dependence upon state entitlements and property tax receipts for governmental activities is apparent as 21 percent of governmental activities are supported through these general receipts.

The Board's Governmental Financial Statements

The Board's governmental financial statements are accounted for using the cash basis of accounting. The governmental financial statements had total receipts of \$5,529,688 and disbursements of \$5,454,286.

Budgeting Highlights

The Board's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During fiscal year 2005, the Board amended its budget as needed. For receipts, the changes from original to final budget and from final budget to actual receipts were not significant.

During Fiscal Year 2005, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final budget. The Board was able to keep spending very close to budgeted amounts as demonstrated by the small variances between final appropriations and actual disbursements.

**TRI COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
OF VAN WERT, MERCER AND PAULDING COUNTIES
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Current Issues

The challenge for all Boards is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little ways of generating other receipts. Our newly prepared financial forecast predicts a deficit for FY2006 and for the next several years, thus depleting our fund balance; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective in FY2005. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Board. We have been forced to reduce the funding to our local Mental Health Providers, and in some cases, not fund programs we have in the past. We hope that this continued vigilance will help preserve the Mental Health and Alcohol and Drug Addiction services at the level the citizens within our area have received in the past.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers and providers with a general overview of the Board's finances and to show the Board's accountability for the monies it receives. If you have any question about this report or need additional financial information, contact Keith Turvy, Executive Director, at Tri County ADAMHS Board, P.O. Box 269, Van Wert, Ohio 45891.

This page intentionally left blank.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT & PAULDING COUNTIES
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,009,461</u>
Total Assets	<u><u>\$1,009,461</u></u>
Net Assets	
Unrestricted	\$666,991
Restricted for Other Purposes	<u>342,470</u>
Total Net Assets	<u><u>\$1,009,461</u></u>

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

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT & PAULDING COUNTIES
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities:			
Mental Health and Dependency Rehabilitation			
Salaries	\$214,653		(\$214,653)
Supplies	5,500		(5,500)
Equipment	6,473		(6,473)
Grants	5,023,589	\$4,327,619	(695,970)
Contract Services	34,121		(34,121)
Rentals	21,400		(21,400)
Advertising and Printing	2,019		(2,019)
Travel and Expenses	9,983		(9,983)
Public Employee's Retirement	49,445		(49,445)
Workers Compensation	2,738		(2,738)
Other Expenses	84,365		(84,365)
	\$5,454,286	\$4,327,619	(\$1,126,667)
Total Governmental Activities	\$5,454,286	\$4,327,619	(\$1,126,667)
		General Receipts	
		Property Taxes Levied for General Purposes	1,000,000
		Entitlements	182,008
		Other	20,061
		Total General Receipts	1,202,069
		Change in Net Assets	75,402
		Net Assets Beginning of Year	934,059
		Net Assets End of Year	\$1,009,461
			\$1,009,461

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

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT & PAULDING COUNTIES
MERCER COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Mental Health State</u>	<u>Mental Health Federal</u>	<u>Alcohol/Drug Federal</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$666,991	\$132,279	\$92,189	\$68,002	\$50,000	\$1,009,461
Total Assets	<u>\$666,991</u>	<u>\$132,279</u>	<u>\$92,189</u>	<u>\$68,002</u>	<u>\$50,000</u>	<u>\$1,009,461</u>
Fund Balances						
Reserved for Encumbrances	\$27,937	\$32,528	\$28,454			\$88,919
Unrestricted, Reported in General Fund	639,054					639,054
Special Revenue Funds		99,751	63,735	\$68,002	\$50,000	281,488
Total Fund Balances	<u>\$666,991</u>	<u>\$132,279</u>	<u>\$92,189</u>	<u>\$68,002</u>	<u>\$50,000</u>	<u>\$1,009,461</u>

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

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT & PAULDING COUNTIES
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Mental Health State</u>	<u>Mental Health Federal</u>	<u>Alcohol/Drug Federal</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts						
Taxes	\$1,000,000					\$1,000,000
Grants		\$1,981,114	\$1,398,797	\$695,548	\$252,160	4,327,619
Intergovernmental	182,008					182,008
Other	20,061					20,061
Total Receipts	1,202,069	1,981,114	1,398,797	695,548	252,160	5,529,688
Disbursements						
Salaries	533	197,325		16,795		214,653
Supplies		2,795		2,705		5,500
Equipment	2,083	4,390				6,473
Grants	1,015,783	1,685,418	1,394,473	675,755	252,160	5,023,589
Contract Services	34,121					34,121
Rentals	3,567	17,833				21,400
Advertising and Printing	1,586	433				2,019
Travel and Expenses	1,916	8,067				9,983
Public Employee's Retirement	45,445	4,000				49,445
Workers Compensation	2,738					2,738
Other	38,511	45,854				84,365
Total Disbursements	1,146,283	1,966,115	1,394,473	695,255	252,160	5,454,286
Net Change in Fund Balance	55,786	14,999	4,324	293		75,402
Fund Balance Beginning of Year	611,205	117,280	87,865	67,709	50,000	934,059
Fund Balance End of Year	<u>\$666,991</u>	<u>\$132,279</u>	<u>\$92,189</u>	<u>\$68,002</u>	<u>\$50,000</u>	<u>\$1,009,461</u>

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

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT & PAULDING COUNTIES
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Receipts				
Taxes	\$1,016,074	\$1,016,074	\$1,000,000	(\$16,074)
Intergovernmental	25,000	106,742	182,008	75,266
Other Board Receipts	20,888	15,981	20,061	4,080
Total Receipts	<u>1,061,962</u>	<u>1,138,797</u>	<u>1,202,069</u>	<u>63,272</u>
Disbursements				
Salaries	4,212	2,027	533	1,494
Equipment	4,210	4,210	2,226	1,984
Grants	1,052,999	1,088,709	1,043,481	45,228
Contract Services	25,156	25,156	34,121	(8,965)
Rentals	3,567	3,567	3,567	
Advertising and Printing	2,317	2,317	1,619	698
Travel and Expenses	1,433	1,433	1,916	(483)
Public Employee's Retirement	44,115	46,065	45,445	620
Workers Compensation	4,150	4,450	2,738	1,712
Other	50,311	50,451	38,574	11,877
Total Disbursements	<u>1,192,470</u>	<u>1,228,385</u>	<u>1,174,220</u>	<u>54,165</u>
Excess of Receipts Over (Under) Disbursements	<u>(130,508)</u>	<u>(89,588)</u>	<u>27,849</u>	<u>117,437</u>
Other Financing Sources (Uses)				
Advances In			400,000	400,000
Advances Out			(400,000)	(400,000)
Total Other Financing Sources (Uses)				
Net Changes in Fund Balance	(130,508)	(89,588)	27,849	117,437
Fund Balance Beginning of Year	572,229	572,229	572,229	
Prior Year Encumbrances Appropriated	<u>38,976</u>	<u>38,976</u>	<u>38,976</u>	
Fund Balance End of Year	<u><u>\$480,697</u></u>	<u><u>\$521,617</u></u>	<u><u>\$639,054</u></u>	<u><u>\$117,437</u></u>

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

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT & PAULDING COUNTIES
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MENTAL HEALTH STATE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Grants	\$1,958,064	\$1,982,473	\$1,981,114	(\$1,359)
Total Receipts	<u>1,958,064</u>	<u>1,982,473</u>	<u>1,981,114</u>	<u>(1,359)</u>
Disbursements				
Salaries	186,543	197,325	197,325	
Supplies	2,795	2,795	2,795	
Equipment	4,390	4,390	4,390	
Contracts-Services	1,700,390	1,719,102	1,717,946	1,156
Rentals	17,833	17,833	17,833	
Advertising and Printing	433	433	433	
Travel and Expenses	13,067	8,067	8,067	
Public Employee's Retirement	4,000	4,000	4,000	
Other	45,939	45,854	45,854	
Total Disbursements	<u>1,975,390</u>	<u>1,999,799</u>	<u>1,998,643</u>	<u>1,156</u>
Excess of Receipts Over (Under) Disbursements	<u>(17,326)</u>	<u>(17,326)</u>	<u>(17,529)</u>	<u>(203)</u>
Other Financing Sources (Uses)				
Advances In			100,000	100,000
Advances Out			(100,000)	(100,000)
Total Other Financing Sources (Uses)				
Net Changes in Fund Balance	(17,326)	(17,326)	(17,529)	(203)
Fund Balance Beginning of Year	99,954	99,954	99,954	
Prior Year Encumbrances Appropriated	<u>17,326</u>	<u>17,326</u>	<u>17,326</u>	<u>(0)</u>
Fund Balance End of Year	<u>\$99,954</u>	<u>\$99,954</u>	<u>\$99,751</u>	<u>(\$203)</u>

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

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT & PAULDING COUNTIES
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
MENTAL HEALTH FEDERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Grants	\$1,238,824	\$1,451,363	\$1,398,797	(\$52,566)
Total Receipts	<u>1,238,824</u>	<u>1,451,363</u>	<u>1,398,797</u>	<u>(52,566)</u>
Disbursements				
Contracts-Services	1,252,238	1,464,777	1,422,927	41,850
Total Disbursements	<u>1,252,238</u>	<u>1,464,777</u>	<u>1,422,927</u>	<u>41,850</u>
Excess of Receipts Over (Under) Disbursements	<u>(13,414)</u>	<u>(13,414)</u>	<u>(24,130)</u>	<u>(10,716)</u>
Other Financing Sources (Uses)				
Advances In			175,000	175,000
Advances Out			<u>(175,000)</u>	<u>(175,000)</u>
Total Other Financing Sources (Uses)				
Changes in Fund Balance	(13,414)	(13,414)	(24,130)	(10,716)
Fund Balance Beginning of Year	74,451	74,451	74,451	
Prior Year Encumbrances Appropriated	<u>13,414</u>	<u>13,414</u>	<u>13,414</u>	
Fund Balance End of Year	<u>\$74,451</u>	<u>\$74,451</u>	<u>\$63,735</u>	<u>(\$10,716)</u>

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

**TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT & PAULDING COUNTIES
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
ALCOHOL AND DRUG FEDERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Grants	\$664,160	\$703,560	\$695,548	(\$8,012)
Total Receipts	664,160	703,560	695,548	(8,012)
Disbursements				
Salaries	16,795	16,795	16,795	
Supplies	2,705	2,705	2,705	
Contracts-Services	644,660	684,060	675,755	8,305
Total Cash Disbursements	664,160	703,560	695,255	8,305
Excess of Receipts Over (Under) Disbursements			293	293
Other Financing Sources (Uses)				
Advances In			75,000	75,000
Advances Out			(75,000)	(75,000)
Total Other Financing Sources (Uses)				
Changes in Fund Balance			293	293
Fund Balance Beginning of Year	67,709	67,709	67,709	
Prior Year Encumbrances Appropriated				
Fund Balance End of Year	<u>\$67,709</u>	<u>\$67,709</u>	<u>\$68,002</u>	<u>\$293</u>

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

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert, and Paulding 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 Ohio Department of Mental Health, The Ohio Department of Alcohol & Drug Addiction Services, and the 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 Mercer, Van Wert, and Paulding Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

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

B. Basis of Accounting

As discussed further in Note 1.D, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Board's accounting policies.

Basis of Presentation

The Board's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Board at year end. The statement of activities compares disbursements with program receipts for each of the Board's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Board's general receipts.

Fund Financial Statements

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental financial statements is on major funds. Each of the Board's two public funds are considered to be major funds and are presented in a separate column.

C. Fund Accounting

The Board uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Board only has one category of funds, which is governmental.

Governmental Funds

The Board classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Board's major governmental funds are the General Fund, Mental Health – State Fund, Mental Health – Federal Fund, and the Alcohol and Drug – Federal Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Board account for grants and other resources whose use is restricted to a particular purpose.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The Board's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Board are described in the appropriate section in this note.

As a result of the use of this basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

E. Cash

As required by Ohio Revised Code, the Mercer County Treasurer is custodian for the Board's cash. The Board's cash is held in the County's cash and investment pool, and valued at the County Treasurer's carrying amount. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

F. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The 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.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

H. Inventory and Prepaid Items

The Board reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

I. Capital Assets

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

J. Interfund Receivables/Payables

The Board reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

K. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Board's cash basis of accounting.

L. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 4 and 5, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N. Fund Balance Reserves

The Board reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Total Columns on Financial Statements

Total columns on the financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with the basis of accounting described above. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Through 2004 the Board reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2005 the Board implemented the cash basis of accounting described in Note 1. The fund financial statements now present each major fund in a separate column rather than a column for each fund type.

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.

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.

Mercer, Van Wert, and Paulding Counties are responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members participated in the traditional plan, and were required to contribute 8.5 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$29,085, \$27,281, and \$26,355 respectively. The full amount has been contributed for 2005, 2004 and 2003. The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll. 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$8,586. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

6. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. LEASE AGREEMENT

The Board entered into a lease agreement, for a four year term that began June 1, 2005 and expires June 30, 2009, for the operations of the Board. The lease term beginning June 1, 2005, establishes the lease rate at \$21,400 for the year to be paid in monthly installments of \$1,783.33; the lease term beginning June 1, 2006, establishes the lease rate at \$21,828 for the year to be paid in monthly installments of \$1,819; the lease term beginning June 1, 2007, establishes the lease rate at \$22,264 for the year to be paid in monthly installments of \$1,855.33; and the lease term beginning June 1, 2008, establishes the lease rate at \$22,710 for the year to be paid in monthly installments of \$1,892.50. The lease agreement is subject to renewal at the lessee's option.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. 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.

**TRI-COUNTY ALCOHOL AND DRUG ADDICTION MENTAL HEALTH SERVICES BOARD
VAN WERT, MERCER, AND PAULDING COUNTIES
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Project Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
(Passed Through Ohio Department of Mental Health)			
Block Grants for Community Mental Health Services			
Community Block Grant	93.958	SFY05	\$72,673
Children/Adolescent Block Grant	93.958	SFY05	<u>26,365</u>
Total Block Grants for Community Mental Health Services			99,038
Social Services Block Grant	93.667	SFY05	53,549
Promoting Safe and Stable Families	93.556	49-CS-05-01	27,604
State Children's Insurance Program (Passed Through Ohio Department of Alcohol and Drug Addiction Services)	93.767	SFY05	78,684
State Children's Insurance Program	93.767	SFY05	<u>21,235</u>
Total Children's Insurance Program			99,919
(Passed Through Ohio Department of Mental Health)			
Medical Assistance Program	93.778	SFY05	1,124,787
(Passed Through Ohio Department of Alcohol and Drug Addiction Services)			
Medical Assistance Program	93.778	SFY05	<u>97,867</u>
Total Medical Assistance Program			1,222,654
Substance Abuse Prevention and Treatment Block Grant			
Alcohol, Drug and Rehabilitation Block Grant	93.959	SFY05	279,926
Federal Drug Free Community Grant	93.959	54-01507-CMMCO-P-05-0034	12,000
Women's Set Aside Grant	93.959	54-10277-WOMEN-T-05-8970	82,591
		54-01387-WOMEN-T-05-8996	81,658
		54-01507-WOMEN-T-05-9932	<u>68,728</u>
Total Women's Set Aside Grant			<u>232,977</u>
Total Substance Abuse Prevention and Treatment Block Grant			<u>524,903</u>
Total U.S. Department of Health and Human Services			2,027,667
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Alcohol and Drug Addiction Services			
Drug Free Schools	84.186A	54-01507-DFSCA-P-05-9107	<u>51,250</u>
Total Federal Assistance			<u><u>\$2,078,917</u></u>

The notes to the Schedule of Federal Awards Expenditures are an integral part of this schedule.

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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. As described in Note 1, the Board records expenditures of Federal awards to sub-recipients when paid in cash.

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 that performance goals are achieved.

Ohio Department of Mental Health (ODMH)

Grants from the ODMH are passed through the Board to the Foundations Behavioral Health Services (Mercer County Mental Health service provider agency), Paulding County Comprehensive Mental Health Services, Inc., and Westwood Behavioral Health Center (Van Wert County Mental Health service provider agency).

Total Board Subsidy expenditures to ODMH provider agencies for fiscal year 2005 were:

Foundations Behavioral Health Services	\$451,561
Paulding County Comprehensive Mental Health Services, Inc.	262,620
Westwood Behavioral Health Center	432,395

Ohio Department of Alcohol and Drug Addiction Services (ODADAS)

Grants from the ODADAS are passed through the Board to the Mercer County Alcohol and Drug Abuse Center, Inc. (dba Gateway Outreach Center), Paulding County Alcohol and Drug Services, Inc. (dba The Turning Point), and Westwood Behavior Health Center (Van Wert County Alcohol and Drug Addiction service provider agency).

Total Board Subsidy expenditures to ODADAS provider agencies for fiscal year 2005 were:

Mercer County Alcohol and Drug Abuse Center, Inc.	\$241,527
Paulding County Alcohol and Drug Services, Inc.	207,327
Westwood Behavioral Health Center	191,839



**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***

Tri-County Alcohol, Drug Addiction and Mental Health Services Board
Mercer, Van Wert and Paulding Counties
1054 S. Washington Street, Suite A
P.O. Box 269
Van Wert, Ohio 45891

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, (the Board), as of and for the fiscal year ended June 30, 2005, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 19, 2006, wherein we noted that the Board uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 in order to express our opinions 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. In a separate letter to the Board's management dated May 19, 2006, we reported a matter related to internal control we deemed immaterial.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Board's management dated May 19, 2006, we reported a matter related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Tri-County Alcohol, Drug and Mental Health Services Board
Mercer, Van Wert and Paulding 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 the audit committee, management, 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

May 19, 2006



Auditor of State Betty Montgomery

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

Tri-County Alcohol, Drug Addiction and Mental Health Services Board
Mercer, Van Wert and Paulding Counties
1054 S. Washington Street, Suite A
P.O. Box 269
Van Wert, Ohio 45891

To the Members of the Board:

Compliance

We have audited the compliance of the Tri-County Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert and Paulding 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 June 30, 2005. 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 its 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 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Tri-County Alcohol, Drug Addiction and Mental Health Services Board complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

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 the audit committee, management, Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 19, 2006

**TRI-COUNTY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD
MERCER, VAN WERT, AND PAULDING COUNTIES
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

TRI-COUNTY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH BOARD

MERCER 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 1, 2006**