



Mary Taylor, CPA  
Auditor of State



**BEHAVIORAL HEALTH GENERATIONS  
BUTLER COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Independent Accountants' Report .....  | 1           |
| Management's Discussion and Analysis .....   | 3           |
| Basic Financial Statements:  |             |
| Government-Wide Financial Statements:  |             |
| Statement of Net Assets-<br>For Fiscal Years Ended June 30, 2006 and 2005 .....  | 9           |
| Statement of Activities-<br>For Fiscal Year Ended June 30, 2006.....   | 10          |
| Statement of Activities -<br>For Fiscal Year Ended June 30, 2005.....  | 11          |
| Fund Financial Statements:   |             |
| Statement of Assets and Fund Balances – Governmental Fund -<br>For Fiscal Years Ended June 30, 2006 and 2005 .....   | 12          |
| Reconciliation of Total Government Governmental Fund Balance<br>to Net Assets of Governmental Activities - For Fiscal Years<br>Ended June 30, 2006 and 2005 .....  | 13          |
| Statement of Cash Receipts, Disbursements and Changes<br>In Fund Balances – Governmental Fund -<br>For Fiscal Years Ended December 31, 2006 and 2005 .....   | 14          |
| Reconciliation of the Statement of Revenues, Expenditures, and<br>Change in Fund Balance of the Governmental Fund to the Statement<br>Of Activities - For Fiscal Years Ended June 30, 2006 and 2005..... | 15          |
| Notes to the Basic Financial Statements.....   | 17          |
| Independent Accountants' Report on Internal Control over Financial Reporting<br>and on Compliance and Other Matters Required By Government Auditing Standards. ....                                      | 29          |

**This page intentionally left blank.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Behavioral Health Generations  
Butler County  
7372 Kingsgate Way  
West Chester, Ohio 45069

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and the major fund of Behavioral Health Generations, Butler County, Ohio (the BHG), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the BHG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of BHG'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Behavioral Health Generations, Butler County, Ohio, as of June 30, 2006 and 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2007, on our consideration of BHG'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.

For the years ended June 30, 2006 and 2005, BHG revised its financial presentation to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

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

**Mary Taylor, CPA**  
Auditor of State

April 10, 2007

Behavioral Health Generations  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2006 and 2005  
(Unaudited)

The discussion and analysis of the Behavioral Health Generations' (BHG) financial performance provides an overall review of BHG's financial activities for the fiscal years ended June 30, 2005 and 2006. The intent of this discussion and analysis is to look at BHG's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of BHG's financial performance.

### **Financial Highlights**

Key financial highlights for 2005 and 2006 are as follows:

- Total net assets of governmental activities decreased by \$77,037 in 2005 and \$7,004 in 2006 due to relatively no increase in Board dues and a discount on dues.
- Charges for Services made up 96 percent of revenues for governmental activities of BHG for fiscal year 2005. In 2006, charges for services made up 92 percent of revenues.
- Overall net capital assets increased \$5,931 from fiscal year 2004 to fiscal year 2005. Additionally, net capital assets increased \$20,067 from fiscal year 2005 to fiscal year 2006.
- Services comprise 69 percent of governmental program expenses in both 2005 and 2006. Administration expenses make up 31 percent of governmental expenses.
- The governmental fund had total revenues of \$497,174 and expenditures of \$570,528 in 2005. The 2005 net change in fund balance for the year in the General Fund was (\$73,354). In 2006 the total revenues equaled \$507,025 with expenditures equaling \$540,257 with a net change in fund balance of (\$33,232).

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the BHG as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statement of Activities provide information about the activities of BHG as a whole, presenting both an aggregate view of BHG's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For the governmental fund, these statements tell how services were financed in the short-term as well as what remains for future spending.

### **Reporting BHG as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets and the Statement of Activities answers the question, "How did we do financially during 2005 and 2006?" for BHG. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes in to account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the BHG's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for BHG as a whole, the financial position of BHG has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not.

In the Statement of Net Assets and the Statement of Activities, BHG only reports governmental activities. Governmental activities are the activities where all of BHG's programs and services are reported including, but not limited to dues and interest.

Behavioral Health Generations  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2006 and 2005  
(Unaudited)

**Reporting BHG's Most Significant Funds**

*Fund Financial Statements*

The analysis of the BHG's major fund begins on page 6. Fund financial statements provide detailed information about the BHG's major fund. The BHG's uses one fund to account for a multitude of financial transactions. The BHG's major governmental fund is the General Fund.

*Governmental Funds*

All of the BHG's activities are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balance left at fiscal year-end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the BHG's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**BHG as a Whole**

Recall that the statement of net assets provides the perspective of the BHG as a whole.

Table 1 provides a summary of the BHG net assets for 2006 and 2005.

Table 1  
Net Assets

|                            | Governmental Activities |           |
|----------------------------|-------------------------|-----------|
|                            | 2006                    | 2005      |
| <b>Assets</b>              |                         |           |
| Current and Other Assets   | \$933,233               | \$980,193 |
| Capital Assets             | 35,925                  | 15,858    |
| Total Assets               | 969,158                 | 996,051   |
| <b>Liabilities</b>         |                         |           |
| Long-Term Liabilities      | 32,094                  | 38,255    |
| Other Liabilities          | 7,590                   | 21,318    |
| Total Liabilities          | 39,684                  | 59,573    |
| <b>Net Assets</b>          |                         |           |
| Invested in Capital Assets | 35,925                  | 15,858    |
| Unrestricted               | 893,549                 | 920,620   |
| Total Net Assets           | \$929,474               | \$936,478 |



Behavioral Health Generations  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2006 and 2005  
(Unaudited)

Total net assets of governmental activities decreased by \$77,037 in 2005 and \$7,004 in 2006 due to a discount on dues. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by legal requirements of BHG decreased by \$27,071 in 2006 is, in part, due to the purchase of additional equipment. The purchase of equipment can be found in the Capital Assets line.

Table 2 shows the highlights of BHG revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services. General Revenues include interest earned.

Table 2  
Changes in Net Assets

|                         | <u>Governmental Activities</u> |                         |
|-------------------------|--------------------------------|-------------------------|
|                         | <u>2006</u>                    | <u>2005</u>             |
| <b>Revenues</b>         |                                |                         |
| Program Revenues:       |                                |                         |
| Charges for Services    | \$467,610                      | \$476,238               |
| General Revenues:       |                                |                         |
| Investment Earnings     | <u>39,416</u>                  | <u>20,936</u>           |
| Total Revenues          | <u>507,026</u>                 | <u>497,174</u>          |
| <b>Program Expenses</b> |                                |                         |
| Administration          | 157,771                        | 178,753                 |
| Services                | <u>356,259</u>                 | <u>395,458</u>          |
| Total Expenses          | <u>514,030</u>                 | <u>574,211</u>          |
| Change in Net Assets    | <u>(\$7,004)</u>               | <u>(\$77,037)</u>       |
| Beginning Net Assets    | <u>\$936,478</u>               | <u>\$1,013,515</u>      |
| Ending Net Assets       | <u><u>\$929,474</u></u>        | <u><u>\$936,478</u></u> |

**Governmental Activities**

Charges for Services made up 96 percent of revenues for governmental activities of BHG for fiscal year 2005. In 2006, charges for services made of 92 percent of revenues.

Services comprise 69 percent of governmental program expenses in both 2005 and 2006. Administration expenses make up 31 percent of governmental expenses in both 2005 and 2006. Expenses decreased from 2005 to 2006 due to change in personnel and savings from switching between some service providers such as office cleaning.

Behavioral Health Generations  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2006 and 2005  
(Unaudited)

The Statement of Activities shows the cost of program services and the charges for services offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total

amount is not covered by program revenues. Net costs are costs that must be covered by investment earnings. The difference in these two columns would represent investment earnings.

Table 3  
Governmental Activities

|                | Total Cost<br>of Services<br>2006 | Net Cost<br>of Services<br>2006 | Total Cost<br>of Services<br>2005 | Net Cost<br>of Services<br>2005 |
|----------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Adminstration  | \$157,771                         | (\$14,261)                      | \$178,753                         | (\$30,500)                      |
| Services       | 356,259                           | (32,159)                        | 395,458                           | (67,473)                        |
| Total Expenses | <u>\$514,030</u>                  | <u>(\$46,420)</u>               | <u>\$574,211</u>                  | <u>(\$97,973)</u>               |

**The BHG Fund**

Information about the BHG's major fund (General Fund) starts on page 12. This fund is accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$474,174 and expenditures of \$570,528 in 2005. The 2005 net change in fund balance for the year in the General Fund was (\$73,354). In 2006 the total revenues equaled \$507,025 with expenditures equaling \$540,257 with a net change in fund balance of (\$33,232).

The net change in fund balance was caused in the General Fund by a decrease in charges for services due to a discount on the rates of dues.

**Capital Assets**

At the end of the fiscal year 2005 the BHG had \$15,858 invested in software and furniture, fixtures and equipment. In 2006, BHG purchased equipment to better serve their customers. The increase for software and servers totaled \$20,067.

Table 4 shows fiscal year 2005 and 2006 balances.

Behavioral Health Generations  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2006 and 2005  
(Unaudited)

Table 4  
Capital Assets (Net of Depreciation) at June 30,

|                                  | Governmental Activities |          |
|----------------------------------|-------------------------|----------|
|                                  | 2006                    | 2005     |
| Furniture, Fixture and Equipment | \$25,785                | \$14,933 |
| Software                         | 10,140                  | 925      |
| Totals                           | \$35,925                | \$15,858 |

Overall capital assets increased \$5,931 from fiscal year 2004 to fiscal year 2005. Additionally, capital assets increased by \$20,067 to fiscal year 2006 through the purchase of software and servers. For more information on capital assets, refer to Note 5 of the notes to the basic financial statements.

**Current Financial Issues**

In recent years, the Board members of BHG have decided to maintain their current level of funding. In doing so, they have created a deficit budgeting trend over the past several years. As part of the dues calculation, as stated in BHG policy, each Board has an equal share of the administrative budget with a calculated share of the operating budget using the claim history. The calculation is computed and presented to the Board. Over the past few years, these calculations have been presented to the Board members and, as the minutes reflect, the Board members have made minimal changes to the net dues. Each Board member is invoiced for the full amount of dues as calculated with a discount reflecting the difference between policy and Board motion. The Board members monitor the reserve balance and projections. At the time when reserves decrease to the minimal amount policy allows, the Board members will adjust their dues and dues discount accordingly.

**Contacting the BHG's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the BHG's finances and to show the BHG's accountability for the money it receives. If you have questions about this report or need additional financial information contact Brian Greene, Executive Director, at Behavioral Health Generations, 7372 Kingsgate Way, West Chester, Ohio, 45069.

**This page intentionally left blank.**

Behavioral Health Generations  
*Statement of Net Assets*  
*June 30, 2006 and 2005*

|   | <u>Governmental<br/>Activities<br/>2006</u> | <u>Governmental<br/>Activities<br/>2005</u> |
|---|---|---|
| <b>ASSETS:</b>                                |   |   |
| Equity in Pooled Cash and Cash<br>Equivalents | \$ 932,180                                  | \$ 980,193                                  |
| Accounts Receivable                           | 1,053                                       |   |
| Noncurrent Assets:                            |   |   |
| Depreciable Capital Assets, net               | 35,925                                      | 15,858                                      |
| <i>Total Assets</i>                           | <u>969,158</u>                              | <u>996,051</u>                              |
| <b>LIABILITIES:</b>                           |   |   |
| Accounts Payable                              | -   | 3,181                                       |
| Accrued Wages and Benefits                    | 5,610                                       | 16,176                                      |
| Intergovernmental Payable                     | 1,980                                       | 1,961                                       |
| Due in More Than One Year                     | 32,094                                      | 38,255                                      |
| <i>Total Liabilities</i>                      | <u>39,684</u>                               | <u>59,573</u>                               |
| <b>NET ASSETS:</b>                            |   |   |
| Invested in Capital Assets                    | 35,925                                      | 15,858                                      |
| Unrestricted                                  | 893,549                                     | 920,620                                     |
| <i>Total Net Assets</i>                       | <u>\$ 929,474</u>                           | <u>\$ 936,478</u>                           |

See accompanying notes to the basic financial statements.

Behavioral Health Generations  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2006

|                               |                                 | <u>Program<br/>Revenues</u>     | <u>Net<br/>(Expense)<br/>and<br/>Changes in<br/>Net Assets</u> |
|-------------------------------|---------------------------------|---------------------------------|--|
|                               | <u>Expenses</u>                 | <u>Charges for<br/>Services</u> | <u>Total<br/>Governmental<br/>Activities</u>                   |
| Administration                | \$157,771                       | \$143,510                       | (\$14,261)   |
| Service                       | 356,259                         | 324,100                         | (32,159)   |
| Total Governmental Activities | <u>\$514,030</u>                | <u>\$467,610</u>                | <u>(46,420)</u>  |
|                               | General Revenues:               |                                 |  |
|                               | Investment Earnings             |                                 | <u>39,416</u>  |
|                               | Change in Net Assets            |                                 | (7,004)  |
|                               | Net Assets at Beginning of Year |                                 | <u>936,478</u>   |
|                               | Net Assets at End of Year       |                                 | <u>\$929,474</u>   |

See accompanying notes to the basic financial statements.

Behavioral Health Generations  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

|   |                  | <u>Program<br/>Revenues</u>     | <u>Net (Expense)<br/>and Changes in<br/>Net Assets</u> |
|---|------------------|---------------------------------|--|
|   | <u>Expenses</u>  | <u>Charges for<br/>Services</u> | <u>Total<br/>Governmental<br/>Activities</u>           |
| Administration  | \$178,753        | \$148,253                       | (\$30,500)   |
| Service   | 395,458          | 327,985                         | (67,473)   |
| Total Governmental Activities                             | <u>\$574,211</u> | <u>\$476,238</u>                | <u>(97,973)</u>  |
| General Revenues:   |                  |                                 |  |
| Investment Earnings                                       |                  |                                 | <u>20,936</u>  |
| Change in Net Assets                                      |                  |                                 | (77,037)   |
| Net Assets at Beginning of Year<br>(Restated, See Note 3) |                  |                                 | <u>1,013,515</u>                                       |
| Net Assets at End of Year                                 |                  |                                 | <u>\$ 936,478</u>                                      |

Behavioral Health Generations  
Statement of Assets and Fund Balances  
Governmental Fund  
June 30, 2006 and 2005

|  | <u>General<br/>Fund<br/>2006</u> | <u>General<br/>Fund<br/>2005</u> |
|--|----------------------------------|----------------------------------|
| <b>ASSETS:</b>   |                                  |                                  |
| Equity in Pooled Cash and Cash Equivalents             | \$ 932,180                       | \$ 980,193                       |
| Accounts Receivable                                    | 1,053                            | -                                |
| <b>Total Assets</b>                                    | <u>933,233</u>                   | <u>980,193</u>                   |
| <b>LIABILITIES:</b>                                    |                                  |                                  |
| Accounts Payable                                       | -                                | 3,180                            |
| Accrued Wages and Benefits                             | 5,610                            | 16,176                           |
| Intergovernmental Payable                              | 1,980                            | 1,962                            |
| <i>Total Liabilities</i>                               | <u>7,590</u>                     | <u>21,318</u>                    |
| <b>FUND BALANCES:</b>                                  |                                  |                                  |
| Unreserved, Undesignated, Reported in:<br>General Fund | <u>925,643</u>                   | <u>958,875</u>                   |
| <i>Total Liabilities and Fund Balances</i>             | <u>\$933,233</u>                 | <u>\$ 980,193</u>                |

See accompanying notes to the basic financial statements.



**Behavioral Health Generations**  
*Reconciliation of Total Governmental Fund Balance  
 To Net Assets of Governmental Activities  
 June 30, 2006 and 2005*

|  | 2006       | 2005       |
|--|------------|------------|
| Total Governmental Fund Balance  | \$ 925,643 | \$ 958,875 |
| Amounts reported for governmental activities in the statement of net assets are different because:                     |            |            |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 35,925     | 15,858     |
| Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:       |            |            |
| Due in More than One Year  | (32,094)   | (38,255)   |
| Net Assets of Governmental Activities  | \$ 929,474 | \$ 936,478 |

See accompanying notes to the basic financial statements.

Behavioral Health Generations  
Statement of Cash Receipts, Disbursements and Changes In Fund Balances  
Governmental Fund  
For the Fiscal Years Ended June 30, 2006 and 2005

|  | General Fund<br>2006      | General Fund<br>2005 |
|--|---------------------------|----------------------|
| <b>REVENUES:</b>                         |                           |                      |
| Dues                                     | \$ 467,609                | \$ 476,238           |
| Interest                                 | 39,416                    | 20,936               |
|  | <i>Total Revenues</i>     | <i>497,174</i>       |
|  | <i>507,025</i>            | <i>497,174</i>       |
| <b>EXPENDITURES:</b>                     |                           |                      |
| Current:                                 |                           |                      |
| Health:                                  |                           |                      |
| Administration                           | 179,281                   | 173,909              |
| Services                                 | 360,976                   | 396,619              |
|  | <i>Total Expenditures</i> | <i>570,528</i>       |
|  | <i>540,257</i>            | <i>570,528</i>       |
| <i>Net Change in Fund Balance</i>        | <i>(33,232)</i>           | <i>(73,354)</i>      |
| <i>Fund Balance at Beginning of Year</i> | <i>958,875</i>            | <i>1,032,229</i>     |
| <i>Fund Balance at End of Year</i>       | <i>\$ 925,643</i>         | <i>\$ 958,875</i>    |

See accompanying notes to the basic financial statements.

**Behavioral Health Generations**  
*Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balance of the  
Governmental Fund to the Statement of Activities  
For the Fiscal Years Ended June 30, 2006 and 2005*

|   | 2006        | 2005        |
|---|-------------|-------------|
| Net Change in Fund Balances - Governmental Fund   | \$ (33,232) | \$ (73,354) |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additional and depreciation in the current period.</p> |             |             |
| Capital assets used in governmental activities  | 27,396      | 13,812      |
| Depreciation Expense  | (7,329)     | (7,881)     |
|   | 20,067      | 5,931       |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>  |             |             |
| Compensated Absences  | 6,161       | (9,614)     |
| Change in Net Assets of Governmental Activities   | \$ (7,004)  | \$ (77,037) |

See accompanying notes to the basic financial statements.

**This page intentionally left blank.**

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 1 DESCRIPTION AND REPORTING ENTITY**

**Description of the Entity**

Behavioral Health Generations, Butler County, Ohio (BHG), is alliance of Ohio Alcohol, Drug and Mental Health Service (ADAMHS) Boards formed in 1995 as a Regional Council of Governments, established pursuant to the authority of the Ohio Revised Code Chapter 1702 and 167. The membership of the Council consists of the Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) Board systems representing Brown, Hancock, Logan-Champaign, Union, Warren-Clinton, Licking Knox, and Wyandot-Seneca-Sandusky Counties. The Council is dependent upon the participation and financial stability of the member ADAMHS Boards. The purpose of the Council is the development among Members of the Council of such knowledge and resources as may be necessary and appropriate to promote the design, implementation and management of an integrated system of behavioral health care for persons served by Members of BHG and to ensure that this system of care:

- Provides the highest quality care which is necessary and appropriate for persons served by Members of BHG;
- Is accessible to the maximum degree which is possible within available resources;
- Is carried out in an efficient, coordinated and cost-effective manner;
- Is coordinated with other health care services available to persons receiving services through Members of BHG and;
- Conforms to all applicable requirements of Federal and State law.

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

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of BHG consists of all funds, departments, boards, and agencies that are not legally separate from BHG. For BHG, this is the general operations of BHG.

Component units are legally separate organizations for which BHG is financially accountable. BHG is financially accountable for an organization if the Council appoints

**Reporting Entity (continued)**

a voting majority of the organization's governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; BHG is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or BHG is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on BHG in that BHG approves the budget, the issuance of debt, or the levying of taxes. There are no component units of BHG.

There are no jointly governed organizations or insurance pools.

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of BHG have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The BHG also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the BHG's accounting policies are described below.

**Basis of Presentation**

BHG's basic financial statements consist of government-wide 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 BHG as a whole.

The Statement of Net Assets presents the financial condition of the governmental activities of the BHG at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the BHG's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the

**Government-Wide Financial Statements (continued)**

BHG, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the BHG.

**Fund Financial Statements**

Fund financial statements are designed to present the financial information of BHG at a more detailed level. BHG only has a general fund.

**Fund Accounting**

BHG uses a fund to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Governmental Fund**

A governmental fund is one through which governmental functions of the BHG are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the BHG's major governmental fund:

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

General Fund

This fund accounts for the general operating revenues and expenditures of BHG. The General Fund balance is available to BHG for any purpose provided it is expended according to the general laws of the State of Ohio.

**Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of BHG are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**Fund Financial Statements**

The General Fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reports on the sources (i.e. revenues) and

**Fund Financial Statements (continued)**

uses (i.e. expenditures) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationships between the government-wide statements and the fund financial statements.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means that the resources will be collected within the current year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For BHG, available means expected to be received within thirty days of year-end.

Under the modified accrual and accrual basis of accounting, revenue from member dues is recognized in twelve equal amounts for each of the months of the fiscal period.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

Unlike other government entities located in the State of Ohio, the BHG is not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705; therefore no budgetary information is presented in the financial statements.

Cash and Cash Equivalents

To improve cash management, cash received by the BHG is pooled. Interest in the pool is presented as "Equity In Pooled Cash And Cash Equivalents" on the financial statements.

Interest earned on investments is recorded in the General Fund. During fiscal year 2005 and 2006, BHG had interest revenue of \$20,936 and \$39,416, respectively.

Capital Assets

General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The BHG maintains a capitalization threshold of five hundred dollars. All expenditures for durable items five hundred dollars (\$500) or more shall be considered as a capital asset and recorded on the balance sheet. Bundling - items that are typically used as a system or integrated collection of components such as computers and cubicle furniture may be grouped together for the purpose of determining their value. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>     | <u>Estimated Lives</u> |
|------------------------|------------------------|
| Servers                | 3                      |
| Workstations/Equipment | 5                      |
| Furniture              | 7                      |

Compensated Absences

Vacation benefits are accrued as a liability, on a full accrual basis, as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the BHG will compensate the employees for the benefits through paid time off or some other means. The BHG records a liability for all accumulated unused vacation time when earned for all employees.

All sick leave benefits are accrued as a liability, on a full accrual basis, using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the BHG has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the BHG's termination policy.



Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the fund. However, compensated absences that will be paid are reported as a liability in the fund financial statements only to the extent that they are normally due for payment during the current year.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the BHG or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year-ended June 30, 2005, BHG has presented for the first time financial statements that conform to generally accepted accounting principles. BHG has implemented GASB Statement No. 34, "Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments."

*GASB Statement No. 34* creates new basic financial statements for reporting on BHG’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements prepared on a modified accrual basis of accounting. The implementation of this change had the following effect on the fund balance of BHG as it was previously reported.

|   |             |
|---|-------------|
| Fund Balance, June 30, 2004                       | \$1,032,229 |
| GASB Interpretation No. 6                         |             |
| Capital Assets                                    | 9,927       |
| Compensated Absences                              | (28,641)    |
| Governmental Activities Net Assets, June 30, 2004 | \$1,013,515 |

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 4 DEPOSITS**

State statutes classify monies held by BHG into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in BHG Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Directors has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the BHG's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Chief Financial Officer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. Investments may only be made through specified dealers and institutions

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 4 DEPOSITS (Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Custodial credit risk for deposits is the risk that in the event of bank failure, the BHG will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of BHG's cash and deposits is provided by FDIC as well as qualified securities pledged by the institution holding the assets.

At June 30, 2005, \$896,056 of BHG's bank balance of \$996,056 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in BHG's name. At June 30, 2006, \$850,537 of BHG's bank balance of \$950,537 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in BHG's name. Of the \$950,537, \$937,413 was invested in a sweep money market savings account that earns interest.

**NOTE 5 ACCOUNTS RECEIVABLE**

Receivables at June 30, 2006, consisted of amounts due from members for Medicaid compliance audits performed by BHG. All receivables are considered collectible in full.

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the fiscal years ended June 30, 2006 and 2005 were as follows:

|  | Balance<br>6/30/04 | Additions      | Deletions  | Balance<br>6/30/05 |
|--|--------------------|----------------|------------|--------------------|
| <b>Governmental Activities</b>                               |                    |                |            |                    |
| Capital Assets being depreciated:                            |                    |                |            |                    |
| Furniture, Fixtures and Equipment                            | \$47,491           | \$12,887       | \$0        | \$60,378           |
| Software   | 0                  | 925            | 0          | 925                |
| <b>Total Depreciable Capital Assets</b>                      | <u>47,491</u>      | <u>13,812</u>  | <u>0</u>   | <u>61,303</u>      |
| Less Accumulated Depreciation for:                           |                    |                |            |                    |
| Furniture, Fixtures and Equipment                            | (37,564)           | (7,881)        | 0          | (45,445)           |
| Software   | 0                  | 0              | 0          | 0                  |
| <b>Total Accumulated Depreciation</b>                        | <u>(37,564)</u>    | <u>(7,881)</u> | <u>0</u>   | <u>(45,445)</u>    |
| <b>Total Governmental Activities Capital Assets,<br/>Net</b> | <u>\$9,927</u>     | <u>\$5,931</u> | <u>\$0</u> | <u>\$15,858</u>    |

|  | Balance<br>6/30/05 | Additions       | Deletions  | Balance<br>6/30/06 |
|--|--------------------|-----------------|------------|--------------------|
| <b>Governmental Activities</b>                               |                    |                 |            |                    |
| Capital Assets being depreciated:                            |                    |                 |            |                    |
| Furniture, Fixtures and Equipment                            | \$60,378           | \$17,652        | \$0        | \$78,030           |
| Software   | 925                | 9,744           | 0          | 10,669             |
| <b>Total Depreciable Capital Assets</b>                      | <u>61,303</u>      | <u>27,396</u>   | <u>0</u>   | <u>88,699</u>      |
| Less Accumulated Depreciation for:                           |                    |                 |            |                    |
| Furniture, Fixtures and Equipment                            | (45,445)           | (6,800)         | 0          | (52,245)           |
| Software   | 0                  | (529)           | 0          | (529)              |
| <b>Total Accumulated Depreciation</b>                        | <u>(45,445)</u>    | <u>(7,329)</u>  | <u>0</u>   | <u>(52,774)</u>    |
| <b>Total Governmental Activities Capital Assets,<br/>Net</b> | <u>\$15,858</u>    | <u>\$20,067</u> | <u>\$0</u> | <u>\$35,925</u>    |

Depreciation expense was charged between administration and services as follows:

|                | 6/30/06        | 6/30/05        |
|----------------|----------------|----------------|
| Administration | \$3,401        | \$2,419        |
| Services       | 3,928          | 5,462          |
| <b>Total</b>   | <u>\$7,329</u> | <u>\$7,881</u> |

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 7 RISK MANAGEMENT**

BHG is exposed to various risks of loss including damage to, theft of, or destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 and 2006, BHG contracted with the Cincinnati Insurance Company for liability, property, and crime damage. Coverage provided is as follows:

|  |              |
|--|--------------|
| <u>Business Liability</u>                              |              |
| Each Occurrence Limit                                  | \$ 1,000,000 |
| Products – Completed Operations Aggregate Limit        | 2,000,000    |
| Personal and Advertising Injury Limit                  | 1,000,000    |
| Personal and Advertising Injury Aggregate Limit        | 2,000,000    |
| Fire, Explosion and Water Damage Legal Liability Limit | 1,000,000    |
| Medical Expenses Limit                                 | 5,000        |

BHG contracted with Philadelphia Insurance Companies for coverage including:

- Commercial Property
- Commercial General Liability
- Commercial Crime
- Commercial Inland Marine
- Commercial Auto
- Business owners
- Workers Compensation

Settled claims have not exceeded coverage in any of the last three years. BHG has had no reduction in coverage in 2005 and 2006.

**NOTE 8 DEFINED BENEFIT PENSION PLANS**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

BHG 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 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. For 2006, member contribution rates were 9 percent of their annual covered salaries. BHG's contribution rate for pension benefits for 2005 was 13.55 percent and for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 8 DEFINED BENEFIT PENSION PLANS (Continued)**

The BHG's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2006 and 2005 were \$60,271 and \$66,447 respectively; 100 percent has been contributed for both 2006 and 2005. The full amount has been contributed for 2006 and 2005. Contributions to the member-directed plan for 2005 were \$38,121 made by the BHG and \$28,326 made by the plan members. Contributions to the member-directed plan for 2006 were \$36,809 made by the BHG and \$23,462 made by the plan members.

**NOTE 9 POSTEMPLOYMENT BENEFITS**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

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 benefit recipients and qualified survivor benefit 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 Postemployment 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 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 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 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 376,109. Actual BHG contributions for 2005 which were used to fund postemployment benefits were \$11,253 for 2005 and \$10,866 for 2006. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Behavioral Health Generations  
Butler County  
Notes to the Financial Statements  
For the Years Ended June 30, 2006 and 2005

**NOTE 10 EMPLOYEE BENEFITS**

**Compensated Absences**

BHG employees accrue vacation from the first day of employment. Vacation will be earned on a maximum of 2,080 worked hours annually at varying rates depending on length of service. Vacation leave is intended to provide the employee with the opportunity to get away from work to relax, refresh and restore himself/ herself. Employees are expected to use accrued vacation annually. However, vacation leave may be accrued to a maximum of twice the annual accrual linked to the employee's years of service. If the employee has accrued more than 240 hours on June 30, the difference between the accrued hours and 240 will be lost. An employee who retires, leaves voluntarily or is terminated for cause other than criminal acts, will be paid for any unused vacation leave. Payment will be made at the employee's base rate of pay at the time of termination of employment at BHG. The vacation leave payment is contingent upon return of keys, equipment and other property of BHG.

BHG employees accrue sick leave from the first day of employment. Sick leave is accrued at a rate of 4.6 hours per pay period. Sick leave can be used as earned.

**OTHER BENEFITS**

BHG provides each employee term life insurance as part of the benefits offered. The amount of the benefit is equal to one times the employee's annual salary up to \$50,000 maximum.

BHG employees may elect to contribute to deferred compensation.

**HEALTH CARE BENEFITS**

BHG has a group health insurance program for employees. BHG's current health insurance provider is Anthem Blue Cross Blue Shield Ohio Group.

Per policy, dental and vision is a benefit provided to the BHG employees on a reimbursement method. Policy stipulates the percent of reimbursement and the maximum reimbursement per employee / family.

**NOTE 11 LONG-TERM LIABILITIES**

**COMPENSATED ABSENCES**

Changes in BHG's long-term obligations during the fiscal year ending June 30, 2005 equaled an increase of \$9,614. The balance in fiscal year 2004 was \$28,641 with the new balance in fiscal year 2005 equaling \$38,255.

Changes in BHG's long-term obligations during the fiscal year ending June 30, 2006 equal a decrease of \$6,161. The balance in fiscal year 2005 was \$38,255 with the new balance in fiscal year equaling \$32,094.

**This page intentionally left blank.**





# Mary Taylor, CPA

Auditor of State

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

Behavioral Health Generations  
Butler County  
7372 Kingsgate Way  
West Chester, Ohio 45069

To the Board of Directors:

We have audited the financial statements of the governmental activities and the major fund of Behavioral Health Generations, Butler County, Ohio (the BHG), as of and for the years ended June 30, 2006 and 2005, which collectively comprise BHG's basic financial statements and have issued our report thereon dated April 10, 2007. 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 BHG's internal control over financial reporting to determine our auditing procedures 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 BHG's management dated April 10, 2007, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

### Compliance and Other Matters

As part of reasonably assuring whether BHG'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*.

Behavioral Health Generations  
Butler County  
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, and Board of Directors. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

April 10, 2007



**Mary Taylor, CPA**  
Auditor of State

**BEHAVIORAL HEALTH GENERATIONS**

**BUTLER 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  
MAY 10, 2007**