



Mary Taylor, CPA
Auditor of State

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tri-County Board of Recovery & Mental Health Services
Miami County
The Stouder Center
1100 Wayne Street
Suite 4000
Troy, Ohio 45373

To Members of the Board:

We have audited the accompanying basic financial statements of the Tri-County Board of Recovery & Mental Health Services, Miami County, (the Board), as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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 cash financial position of Tri-County Board of Recovery & Mental Health Services, Miami County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007, 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 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.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements. The Federal Awards Expenditures Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected this schedule to the auditing procedures applied in our audit of the Board's 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.

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

June 29, 2007

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Tri-County Board of Recovery and Mental Health Services', Miami County, (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2006, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- Net assets increased \$63,188.
- General receipts accounted for \$5,632,421 in receipts or 49.8 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$5,668,531 or 50.2 percent of total receipts of \$11,300,952.
- The Board had \$11,237,764 in disbursements related to governmental activities; only \$5,668,531 of these disbursements were offset by program specific operating grants and contributions. General receipts of \$5,632,421 were adequate to provide for these programs.
- The Board's major fund had \$11,300,952 in receipts and \$11,237,764 in disbursements. The cash fund balance increased \$63,188.

Using this Annual Financial Report

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 Tri-County Board of Recovery and Mental Health Services as a financial whole, an 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. Fund 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 financial transactions and asks the question, "How did we do financially during calendar year 2006?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. The 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 BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Reporting the Board's Fund Financial Statements

Fund Financial Statements

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

The Board as a Whole

The Statement of Net Assets – Cash Basis provides the perspective of the Board as a whole and Table 1 provides a summary of the Board's net assets for 2006 compared to 2005.

**Table 1
Net Assets - Cash Basis**

	Governmental Activities	
	2006	2005
Cash Basis Assets		
Cash Equivalents	\$2,836,328	\$2,773,140
Net Assets		
Unrestricted	2,836,328	2,773,140
Total Net Assets	<u>\$2,836,328</u>	<u>\$2,773,140</u>

In 2006 total assets increased \$63,188. A payment in the amount of \$180,310 that was expected in December 2005 was not received until early January 2006. This would have resulted in a total asset decrease of \$117,122 for 2006 had the payment been received when expected. This decrease would have been a result of calendar year timing of Medicaid receipts and disbursements. The actual increase in total assets of \$63,188 for 2006 is due to an excess of receipts over disbursements for the Board's Fiscal year ending June 30, 2006.

Table 2 shows a comparative analysis of the changes in net assets for the year ended 2006 compared to 2005.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2006	2005
Receipts		
Program Cash Receipts		
Operating Grants and Contributions	\$5,668,531	\$5,002,063
Total Program Cash Receipts	<u>5,668,531</u>	<u>5,002,063</u>

(Continued)

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets
(Continued)**

	Governmental Activities	
	2006	2005
General Receipts		
Property Taxes	2,150,813	2,178,738
Shared Revenues	3,451,880	3,164,998
Other Receipts	29,728	45,921
Total General Receipts	<u>5,632,421</u>	<u>5,389,657</u>
Total Receipts	<u>11,300,952</u>	<u>10,391,720</u>
Disbursements:		
Mental Health and Recovery Operations	11,237,764	10,376,624
Total Disbursements	<u>11,237,764</u>	<u>10,376,624</u>
Change in Net Assets	<u>\$ 63,188</u>	<u>\$ 15,096</u>

In 2006, 49.8 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and unrestricted state entitlements compared to 52 percent in 2005. Program cash receipts accounted for 50.2 percent of the Board's total receipts in year 2006 compared to 48 percent in 2005. Medicaid and its matching funds, federal operating grants, and state funds awarded for specific programs or purposes primarily make up these receipts.

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. This "net cost" amount represents the cost of those services supported by property tax receipts and unrestricted state entitlements. Comparisons to 2005 have been made.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Mental Health and Recovery Operations:				
Current:				
Salaries	\$604,405	\$ 585,598	\$ 604,405	\$ 583,466
Supplies	62,860	32,680	62,860	32,599
Materials	1,024	1,707	1,024	1,707
Equipment	8,637	12,837	8,637	12,837
Contracts – Repair	1,916	1,717	1,916	1,717
Contracts – Services	10,140,438	9,307,688	4,471,907	4,307,838
Rentals	70,943	70,782	70,943	70,782
Advertising and Printing	6,265	7,598	6,265	7,598
Travel	3,713	3,143	3,713	3,143
Public Employee's Retirement	81,560	78,919	81,560	78,919
Insurance & Medicare	83,770	69,049	83,770	69,049
Other	172,233	204,906	172,233	204,906
Total Disbursements	<u>\$11,237,764</u>	<u>\$10,376,624</u>	<u>\$5,569,233</u>	<u>\$5,374,561</u>

The dependence upon state entitlements for government activities is apparent as 50.4 percent of mental health and recovery costs are supported through unrestricted state entitlements and other general receipts in 2006 compared to 52 percent in 2005.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Board's Fund Financial Statements

The Board's fund financial statements are accounted for using the cash basis of accounting. The fund financial statements had total receipts of \$11,300,952 and disbursements of \$11,237,764. The financial statements had an increase in the cash balance of \$63,188.

Budgeting Highlights

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

During the course of 2006, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. Contract services from the original to the final budget increased from 11,601,337 to 12,102,586. This is due to final calendar year carryover funds being appropriated to that account in the final budget. Other expenses from the original to the final budget increased from 178,083 to 253,833. This increase is a result of calendar year adjustments to appropriations to accommodate the Board's fiscal year operations.

Economic Factors

The receipts of the Board remain fairly stagnant. Most new funds received by the Board are targeted to specific programs or services. The Board contracts with 14 contract agencies to deliver mental health and substance abuse services to the residents of Miami, Darke, and Shelby Counties.

With stagnant receipts, the Board will be challenged to maintain the current levels of services and programs. The Board and its administration must maintain careful financial planning and fiscal management in order to balance the budget annually.

Contacting the Board's Financial Management

This financial report is designed to provide citizens, taxpayers, and providers with a general overview of the Board's finances and the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Terri Becker, Director of Finance and Administration, at Tri-County Board of Recovery and Mental Health Services, 1100 Wayne Street, Suite 4000, Troy, Ohio 45373.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Activities</u>
Assets	
Cash Equivalents	\$2,836,328
Total Assets	<u>2,836,328</u>
Net Assets	
Unrestricted	2,836,328
Total Net Assets	<u>\$2,836,328</u>

See accompanying notes to the basic financial statements.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND CASH BASIS FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash Basis Assets

Cash Equivalents	\$2,836,328
Total Cash Basis Assets	<u>2,836,328</u>

Cash Basis Fund Balance

Reserved for Encumbrances	599,065
Unreserved, Undesignated	<u>2,237,263</u>
Total Cash Basis Fund Balance	<u>\$2,836,328</u>

See accompanying notes to the basic financial statements.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BASIS FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash Receipts:

Taxes	\$2,150,813
Intergovernmental	8,797,789
Rental/Lease Income	8,100
Contract Services	314,522
Total Cash Receipts	11,271,224

Cash Disbursements:

Current:

Salaries	604,405
Supplies	62,860
Materials	1,024
Equipment	8,637
Contracts - Repair	1,916
Contracts - Services	10,140,438
Rentals	70,943
Advertising and Printing	6,265
Travel	3,713
Public Employee's Retirement	81,560
Insurance & Medicare	83,770
Other	172,233
Total Disbursements	11,237,764

Total Receipts Over/(Under) Disbursements	33,460
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Other Financing Receipts

Refunds	5,917
Reimbursements	23,811
Total Other Financing Receipts	29,728

Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	63,188
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Cash Basis Fund Balance, January 1	2,773,140
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Cash Basis Fund Balance, December 31	\$2,836,328
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Reserves for Encumbrances, December 31	\$599,065
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See accompanying notes to the basic financial statements.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Taxes	\$2,119,820	\$2,119,820	\$2,150,813	\$30,993
Intergovernmental	8,177,306	8,177,306	8,797,789	620,483
Rental/Lease Income	10,000	10,000	8,100	(1,900)
Contract Services	317,857	317,857	314,522	(3,335)
Total Cash Receipts	<u>10,624,983</u>	<u>10,624,983</u>	<u>11,271,224</u>	<u>646,241</u>
Disbursements:				
Current:				
Salaries	618,000	625,000	604,405	20,595
Supplies	113,175	116,875	104,915	11,960
Materials	4,520	4,520	1,044	3,476
Equipment	32,100	32,100	8,637	23,463
Contracts - Repair	7,920	7,920	4,520	3,400
Contracts - Services	11,601,337	12,102,586	10,661,900	1,440,686
Rentals	74,360	74,360	70,943	3,417
Advertising and Printing	13,908	13,908	6,615	7,293
Travel	8,427	8,427	3,871	4,556
Public Employee's Retirement	84,666	84,666	81,560	3,106
Insurance & Medicare	92,676	92,778	83,770	9,008
Other Expenses	178,083	253,833	204,649	49,184
Total Cash Disbursements	<u>12,829,172</u>	<u>13,416,973</u>	<u>11,836,829</u>	<u>1,580,144</u>
Excess of Cash Receipts Over/(Under) Disbursements	<u>(2,204,189)</u>	<u>(2,791,990)</u>	<u>(565,605)</u>	<u>2,226,385</u>
Other Financing Receipts:				
Refunds	500	500	5,917	5,417
Reimbursements	24,350	24,350	23,811	(539)
Total Other Financing Receipts	<u>24,850</u>	<u>24,850</u>	<u>29,728</u>	<u>4,878</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(2,179,339)</u>	<u>(2,767,140)</u>	<u>(535,877)</u>	<u>2,231,263</u>
Cash Basis Fund Balance, January 1	2,593,801	2,593,801	2,593,801	
Prior Year Encumbrances Appropriated	<u>179,339</u>	<u>179,339</u>	<u>179,339</u>	
Cash Basis Fund Balance, December 31	<u>\$593,801</u>	<u>\$6,000</u>	<u>\$2,237,263</u>	<u>\$2,231,263</u>

See accompanying notes to the basic financial statements.

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**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. DESCRIPTION OF THE REPORTING ENTITY

The Tri-County Board of Recovery and Mental Health Services Board, Miami-Darke-Shelby 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 of Directors. Board members are appointed by the Ohio Department of Mental Health, the Ohio Department of Alcohol and Drug Addiction Services, and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those appointing authorities who are citizens of the Board area. Those subdivisions are Darke County, Miami County, and Shelby County. The Board provides alcohol, drug addiction and mental health services and programs to citizens of these counties. These services are provided primarily through contracts with private and public agencies.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards and agencies that are not legally separate from the Board.

Component units are legally separate organizations for which the Board is financially accountable. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt or the levying of their taxes. The Board has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes are presented on a cash basis of accounting. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

A. Fund Accounting

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

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources.

B. Basis of Presentation

The Board's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and Governmental Fund financial statements providing more detailed financial information.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statements

The statement of Net Assets presents the financial condition of the governmental activities of the Board at year-end. The Statement of Activities compares the disbursements with program receipts for each function or program of the Board. 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. The Board only has one function, Mental Health and Recovery with associated objects. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which the function is self-financing on the cash basis or draws from the Board's general receipts.

2. Fund Financial Statements

Fund financial statements report more detailed information about the Board. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column.

C. Basis of Accounting

The Government-wide Statement of Net Assets and Statement of Activities and the Fund Financial Statements are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, receipts, and disbursement when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related receipts and certain liabilities and their disbursements are not recorded in these financial statements. If the Board utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

D. Cash, Cash Equivalents and Investments

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

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less. The Board values investments and cash equivalents at cost.

E. Fund Balance Reserves

The Board reserves those portions of fund balance which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund reserves have been established for encumbrances.

F. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations and the certificate of estimated resources, which use the budgetary basis of accounting.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations may be amended throughout the year within the restriction that appropriations may not exceed estimated resources. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources. The certificate of estimated resources may be amended during the year if the Board fiscal officer projects increases or decreases in receipts.

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.

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

3. PROPERTY TAXES

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 pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30.

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

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. Bonds and obligations of the State of Ohio or Ohio local governments;
7. The State Treasurer's investment pool (STAROhio, a Rule 2-a7-like pool);
8. Certain bankers' acceptances and commercial paper notes; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific obligation or debt of the Board and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits: The Miami County Auditor serves as the fiscal agent for the Board. The Miami County Treasurer invests all County funds, as well as funds of those entities for which the County Auditor serves as fiscal agent. The Board maintains no control over the investment of its cash. At year-end, the Carrying amount of the Board's deposits was \$2,836,328.

The Board's deposits maintained by the Miami County Treasurer are either insured by the Federal Deposit Insurance Corporation or were considered collateralized by securities held by the pledging institutions' trust departments in Miami County's name and all State statutory requirements for the deposit of money had been followed.

5. RISK MANAGEMENT

A. Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

B. Self Insurance

The Board's employees are covered under the Miami County Health Plan which is a self-funded plan. Miami County also carries stop-loss coverage to cover catastrophic illness. The financial risk for any such catastrophic illness lies with Miami County.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

A. 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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2006 was 13.70 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, 2006, 2005, and 2004 were \$81,560, \$78,919, and \$72,114 respectively; the full amount has been contributed for years 2006, 2005, and 2004.

7. POSTEMPLOYMENT BENEFITS

A. 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 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 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

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, 2005, include a rate of return on investments of 6.5 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 .5 to 6 percent annually for the next nine years and 4 percent annually after nine 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual Board contributions for 2006 which were used to fund postemployment benefits were \$26,792. 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, 2005, (the latest information available) was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

8. CONTIGENCIES

A. Grants

The Board receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the Board at December 31, 2006.

B. Liabilities

The Board assumed the obligations for several renovation grants from Miami and Shelby Counties and a Capital Grant from the Ohio Department of Mental Health on properties purchased from Eastway Corporation in November, 2003. There is no liability to the Board for these obligations as long as these properties continue to be used for their intended purpose and are not sold prior to maturity of the obligations. The maturities of the obligations are 1/22/2007, 6/12/2008, 11/1/2009, 12/10/2009, and 9/1/2041 respectively.

The Board has also received Capital funding in the form of two grants directly from the Ohio Department of Mental Health for property purchases in the Tri-County area. There is, similarly, no liability to the Board for these obligations as long as these properties continue to be used for their intended purpose and are not sold prior to maturity of the obligations. The maturities of these obligations are 11/1/2043 and 6/1/2044 respectively.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Receipt			
Homeless Assistance Program	N/A	14.238	\$43,891
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Mental Health Services:			
Network of Care	42-TSIG-07-01	93.243	9,107
Promoting Safe and Stable Families	N/A	93.556	65,932
Early Childhood Mental Health	34-CS-06-03	93.590	23,456
Social Services Block Grant	N/A	93.667	122,002
Block Grants for Community Mental Health Services: Special Project - Children and Adolescent	N/A	93.958	26,388
Special Project - Education Materials	34-AD-BG-06-01	93.958	11,500
Special Project - Crisis Center	N/A	93.958	<u>79,332</u>
Total Block Grants for Community Mental Health Services			117,220
Passed Through Ohio Department of Alcohol and Drug Addiction Services:			
Block Grants for Prevention and Treatment of Substance Abuse: Women's Block Grant	55-13900-00-WOMEN-T-06-8971	93.959	129,924
Alcohol, Drug, & Mental Health Block Grant	N/A	93.959	<u>753,381</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			883,305
Medical Assistance Program (Medicaid: Title XIX)	N/A	93.778	354,866
Passed Through Ohio Department of Mental Health Services:			
Medical Assistance Program (Medicaid: Title XIX)	N/A	93.778	<u>2,085,346</u>
Total Medical Assistance Program			<u>2,440,212</u>
Total United States Department of Health and Human Services			<u>3,661,234</u>
Total Federal Awards Expenditures			<u><u>\$3,705,125</u></u>

The accompanying Notes to the Federal Awards Expenditures Schedule is an integral part of this Schedule.

**TRI COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
DECEMBER 31, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

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

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under Federal Circular A-133, the Board is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provision of contracts or grant agreements, and that performance goals are achieved.

NOTE C – MATCHING REQUIREMENTS

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



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*

Tri-County Board of Recovery & Mental Health Services
Miami County
The Stouder Center
1100 Wayne Street
Suite 4000
Troy, Ohio 45373

To Members of the Board:

We have audited the basic financial statements of the Tri-County Board of Recovery & Mental Health Services, Miami County, (the Board), as of and for the year ended December 31, 2006, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 29, 2007, wherein we noted the Board uses the cash accounting basis which is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Board's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Board's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

We intend this report solely for the information and use of the finance committee, management, the Board, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 29, 2007



Mary Taylor, CPA

Auditor of State

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

Tri-County Board of Recovery & Mental Health Services
Miami County
The Stouder Center
1100 Wayne Street
Suite 4000
Troy, Ohio 45373

To Members of the Board:

Compliance

We have audited the compliance of the Tri-County Board of Recovery & Mental Health Services, Miami County, (the Board), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2006. 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 Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

June 29, 2007

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006**

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 significant deficiencies in internal control 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 significant deficiencies in internal control 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):	Medical Assistance Program, Title XIX, CFDA #93.778
(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



Mary Taylor, CPA
Auditor of State

TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES

MIAMI 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 14, 2007**