



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Tri-County Alcohol, Drug Addiction and Mental Health Services Board  
Mercer, Van Wert and Paulding Counties  
1054 South Washington Street, Suite A  
Post Office Box 269  
Van Wert, Ohio 45891

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, (the Board), as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express 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 opinion.

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 the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Mental Health State, Mental Health Federal, and Alcohol and Drug Federal funds 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 February 8, 2008, 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.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

February 8, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

This discussion and analysis of the Tri County Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert and Paulding Counties (the Board) financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2007, within the limitations of the Board's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

**Highlights**

Key highlights for fiscal year 2007 are as follows:

Net assets increased \$149,856.

The Board's general receipts accounted for \$1,191,625 in receipts or approximately 20 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$4,870,101 or approximately 80 percent of total receipts of \$6,061,726.

The Board had \$5,911,870 in disbursements, of which \$5,455,752 or approximately 92 percent was for mental health and dependency rehabilitation grants to service providers.

**Using this Annual Financial Report**

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

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

**Reporting the Board as a Whole**

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

While this document contains information used by the Board to provide programs and services for its service area, the view of the Board as a whole looks at all the financial transactions and asks the question, "How did we do financially during the fiscal year 2007?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Board's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

**Reporting the Board's Governmental Financial Statements**

Governmental Financial Statements

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

**The Board as a Whole**

Table 1 provides a summary of the Board's net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 1  
Net Assets – Cash Basis**

<b>Assets</b>	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Equity in Pooled Cash and Cash	\$1,203,103	\$1,053,247
<b>Total Assets</b>	<b>1,203,103</b>	<b>1,053,247</b>
<b>Net Assets</b>		
Unrestricted	911,436	727,943
Restricted	291,667	325,304
<b>Total Net Assets</b>	<b>\$1,203,103</b>	<b>\$1,053,247</b>

As shown in table 1, the Board's total assets increased by \$149,856 or approximately 14 percent from Fiscal Year 2006 to Fiscal Year 2007. This increase was the result of several budget line items ending the fiscal year under budget.

Table 2 reflects the changes in net assets in fiscal year 2007 as compared to fiscal year 2006.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Capital Grants and Contributions	\$4,870,101	\$4,760,601
<b>Total Program Receipts</b>	<b>4,870,101</b>	<b>4,760,601</b>
<b>General Receipts:</b>		
Property and Other Local Taxes	960,746	964,972
Homestead/Rollback/Entitlements	143,810	102,350
Other	87,069	67,004
<b>Total General Receipts</b>	<b>1,191,625</b>	<b>1,134,326</b>
<b>Total Receipts</b>	<b>6,061,726</b>	<b>5,894,927</b>
<b>Disbursements:</b>		
Mental Health and Dependency	5,911,870	5,851,141
<b>Total Disbursements</b>	<b>5,911,870</b>	<b>5,851,141</b>
<b>Net Change in Assets</b>	<b>\$ 149,856</b>	<b>\$ 43,786</b>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

In Fiscal Year 2007, approximately 80 percent of the Board's total receipts consisted of program specific receipts in the form of operating grants and contributions.

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

In Fiscal Year 2007, 92 percent of the Board's cash disbursements were for client specific services or needs.

**Governmental Activities**

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

**Table 3  
Cost of Services**

	<b>Total Cost Of Services 2007</b>	<b>Net Cost Of Services 2007</b>	<b>Total Cost Of Services 2006</b>	<b>Net Cost Of Services 2006</b>
<b>Mental Health and Dependency Rehabilitation:</b>				
Salaries	\$220,870	\$220,870	\$214,172	\$214,172
Supplies	5,700	5,700	5,700	5,700
Equipment	10,243	10,243	7,876	7,876
Grants	5,455,752	585,651	5,422,570	661,969
Contract Services	26,266	26,266	26,291	26,291
Rentals	21,850	21,850	21,406	21,406
Advertising and Printing	2,366	2,366	2,988	2,988
Travel and Expenses	12,097	12,097	11,422	11,422
Public Employee's Retirement	50,101	50,101	43,033	43,033
Worker's Compensation	3,449	3,449	0	0
Other Expenses	103,176	103,176	95,683	95,683
<b>Total Disbursements</b>	<b>\$5,911,870</b>	<b>\$1,041,769</b>	<b>\$5,851,141</b>	<b>\$1,090,540</b>

The dependence upon state entitlements and property tax receipts for governmental activities is apparent as 18 percent of governmental activities are supported through these general receipts.

**The Board's Governmental Financial Statements**

The Board's governmental financial statements are accounted for using the cash basis of accounting. The governmental financial statements had total receipts of \$6,061,726 and disbursements of \$5,911,870.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

**Budgeting Highlights**

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

During fiscal year 2007, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final budgets except in the grant funds where changes in the amounts appropriated were modified to agree with additional anticipated revenue.

**Current Issues**

The challenge for all Boards is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little ways of generating other receipts. Although the Board area passed a Levy Replacement in November 2007, our newly prepared financial forecast predicts a deficit for FY2008 and for FY2009, thus depleting our fund balances even further. The Board must continue to closely monitor the current revenues and expenditures. We hope that this continued vigilance will help preserve the Mental Health and Alcohol and Drug Addiction services at the level the citizens within our area have received in the past

**Contacting the Government's Financial Management**

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

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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007**

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,203,103
Total Assets	<u>1,203,103</u>
<b>Net Assets</b>	
Unrestricted	911,436
Restricted	<u>291,667</u>
<b>Total Net Assets</b>	<u>\$1,203,103</u>

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

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Cash</u>	<u>Program Cash Receipts</u>	<u>Net</u>
	<u>Disbursements</u>	<u>Operating Grants</u>	<u>(Disbursements)</u>
		<u>and Contributions</u>	<u>Receipts</u>
			<u>and Changes</u>
			<u>in Net Assets</u>
<b>Governmental Activities:</b>			
Mental Health and Dependency Rehabilitation			
Salaries	\$220,870		(\$220,870)
Supplies	5,700		(5,700)
Equipment	10,243		(10,243)
Grants	5,455,752	\$4,870,101	(585,651)
Contract - Services	26,266		(26,266)
Rentals	21,850		(21,850)
Advertising and Printing	2,366		(2,366)
Travel and Expenses	12,097		(12,097)
Public Employee's Retirement	50,101		(50,101)
Workers Compensation	3,449		(3,449)
Other Expenses	103,176		(103,176)
	<u>\$5,911,870</u>	<u>\$4,870,101</u>	<u>(1,041,769)</u>
<b>Total Governmental Activities</b>			
	<u>\$5,911,870</u>	<u>\$4,870,101</u>	<u>(1,041,769)</u>
<b>General Receipts</b>			
<b>Property Taxes Levied for:</b>			
General Purposes			960,746
Homestead/Rollback and Entitlements			143,810
Other			<u>87,069</u>
Total General Receipts			1,191,625
Change in Net Assets			<u>149,856</u>
Net Assets Beginning of Year			<u>1,053,247</u>
<b>Net Assets End of Year</b>			<u><u>\$1,203,103</u></u>

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

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	<u>Mental Health State</u>	<u>Mental Health Federal</u>	<u>Alcohol Drug Federal</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Cash Basis Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$911,436	\$90,477	\$81,242	\$69,948	\$50,000	\$1,203,103
Total Assets	<u>911,436</u>	<u>90,477</u>	<u>81,242</u>	<u>69,948</u>	<u>50,000</u>	<u>1,203,103</u>
 <b>Cash Basis Fund Balance</b>						
Reserved for Encumbrances Unrestricted, Reported in	51,437	5,783	12,816			70,036
General Fund	859,999					859,999
Special Revenue Funds		84,694	68,426	69,948	50,000	273,068
<b>Total Cash Basis Fund Balance</b>	<u>\$911,436</u>	<u>\$90,477</u>	<u>\$81,242</u>	<u>\$69,948</u>	<u>\$50,000</u>	<u>\$1,203,103</u>

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

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>Mental Health State</u>	<u>Mental Health Federal</u>	<u>Alcohol /Drug Federal</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Receipts</b>						
Taxes	\$960,746					\$960,746
Grants		\$2,461,199	\$1,355,835	\$738,767	\$314,300	4,870,101
Intergovernmental	143,810					143,810
Other	87,069					87,069
<b>Total Receipts</b>	<b>1,191,625</b>	<b>2,461,199</b>	<b>1,355,835</b>	<b>738,767</b>	<b>314,300</b>	<b>6,061,726</b>
<b>Disbursements</b>						
Salaries	50,280	170,590				220,870
Supplies		3,200		2,500		5,700
Equipment	2,950	7,293				10,243
Grants	810,125	2,280,654	1,332,262	718,411	314,300	5,455,752
Contract Services	26,266					26,266
Rentals		21,850				21,850
Advertising and Printing	2,366					2,366
Travel and Expenses	1,740	10,357				12,097
Public Employee's Retirement	44,601	5,500				50,101
Workers Compensation	3,449					3,449
Other	66,355	36,821				103,176
<b>Total Disbursements</b>	<b>1,008,132</b>	<b>2,536,265</b>	<b>1,332,262</b>	<b>720,911</b>	<b>314,300</b>	<b>5,911,870</b>
Excess of Receipts Over (Under) Disbursements	183,493	(75,066)	23,573	17,856		149,856
<b>Other Financing Receipts/(Disbursements)</b>						
Advances - In	400,000	100,000	175,000	75,000	50,000	800,000
Advances-Out	(400,000)	(100,000)	(175,000)	(75,000)	(50,000)	(800,000)
<b>Total Other Financing Receipts (Disbursements)</b>						
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	183,493	(75,066)	23,573	17,856		149,856
Cash Balance Beginning of Year	727,943	165,543	57,669	52,092	50,000	1,053,247
<b>Cash Balance End of Year</b>	<b>\$911,436</b>	<b>\$90,477</b>	<b>\$81,242</b>	<b>\$69,948</b>	<b>\$50,000</b>	<b>\$1,203,103</b>

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>Receipts</b>				
Taxes	\$939,867	\$958,867	\$960,746	\$1,879
Intergovernmental	129,133	144,133	143,810	(323)
Other Board Receipts	50,000	84,000	87,069	3,069
<b>Total Receipts</b>	<u>1,119,000</u>	<u>1,187,000</u>	<u>1,191,625</u>	<u>4,625</u>
<b>Disbursements</b>				
Salaries	50,280	50,280	50,280	
Equipment	4,500	4,500	2,950	1,550
Grants	1,000,179	932,904	852,105	80,799
Contracts-Services	33,000	33,000	26,266	6,734
Advertising and Printing	2,550	2,550	2,366	184
Travel and Expenses	3,152	3,152	1,740	1,412
Public Employee's Retirement	49,527	49,527	49,527	
Workers Compensation	8,449	8,449	7,306	1,143
Other	68,421	73,421	67,029	6,392
<b>Total Cash Disbursements</b>	<u>1,220,058</u>	<u>1,157,783</u>	<u>1,059,569</u>	<u>98,214</u>
Excess of receipts Over (Under) Disbursements	(101,058)	29,217	132,056	102,839
<b>Other Financing Sources (Uses)</b>				
Advances In			400,000	400,000
Advances Out			(400,000)	(400,000)
<b>Total Other Financing Sources (Uses)</b>				
Changes in Fund Balance	(101,058)	29,217	132,056	102,839
Fund Balance Beginning of Year	698,674	698,674	698,674	
Prior Year Encumbrances Appropriated	29,269	29,269	29,269	
<b>Fund Balance End of Year</b>	<u>\$626,885</u>	<u>\$757,160</u>	<u>\$859,999</u>	<u>\$102,839</u>

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
MENTAL HEALTH STATE FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Grants	\$2,435,921	\$2,470,947	\$2,461,199	(\$9,748)
Total Receipts	<u>2,435,921</u>	<u>2,470,947</u>	<u>2,461,199</u>	<u>(9,748)</u>
<b>Disbursements</b>				
Salaries	169,970	170,590	170,590	
Supplies	3,200	3,286	3,286	
Equipment	8,000	7,293	7,293	
Grants	2,252,037	2,287,063	2,286,351	712
Rentals	21,850	21,850	21,850	
Travel and Expenses	10,357	10,357	10,357	
Public Employee's Retirement	5,500	5,500	5,500	
Other	<u>36,820</u>	<u>36,821</u>	<u>36,821</u>	
Total Cash Disbursements	<u>2,507,734</u>	<u>2,542,760</u>	<u>2,542,048</u>	<u>712</u>
Excess of Receipts Over (Under) Disbursements	(71,813)	(71,813)	(80,849)	(9,036)
<b>Other Financing Sources (Uses)</b>				
Advances In			100,000	100,000
Advances Out			<u>(100,000)</u>	<u>(100,000)</u>
Total Other Financing Sources (Uses)				
Changes in Fund Balance	(71,813)	(71,813)	(80,849)	(9,036)
Fund Balance Beginning of Year	93,730	93,730	93,730	
Prior Year Encumbrances Appropriated	<u>71,813</u>	<u>71,813</u>	<u>71,813</u>	
<b>Fund Balance End of Year</b>	<u><u>\$93,730</u></u>	<u><u>\$93,730</u></u>	<u><u>\$84,694</u></u>	<u><u>(\$9,036)</u></u>

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



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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
MENTAL HEALTH FEDERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Grants	\$1,423,601	\$1,449,001	\$1,355,835	(\$93,166)
Total Receipts	1,423,601	1,449,001	1,355,835	(93,166)
<b>Disbursements</b>				
Grants	1,436,664	1,462,114	1,345,078	117,036
Total Disbursements	1,436,664	1,462,114	1,345,078	117,036
Excess of Receipts Over (Under) Disbursements	(13,063)	(13,113)	10,757	23,870
<b>Other Financing Sources (Uses)</b>				
Advances In			175,000	175,000
Advances Out			(175,000)	(175,000)
Total Other Financing Sources (Uses)				
Changes in Fund Balance	(13,063)	(13,113)	10,757	23,870
Fund Balance Beginning of Year	44,606	44,606	44,606	
Prior Year Encumbrances Appropriated	13,063	13,063	13,063	
<b>Fund Balance End of Year</b>	<u>\$44,606</u>	<u>\$44,556</u>	<u>\$68,426</u>	<u>\$23,870</u>

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
ALCOHOL AND DRUG FEDERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Grants	\$795,582	\$797,763	\$738,767	(\$58,996)
Total Receipts	<u>795,582</u>	<u>797,763</u>	<u>738,767</u>	<u>(58,996)</u>
<b>Disbursements</b>				
Supplies	2,500	2,500	2,500	
Grants	793,082	795,263	718,411	76,852
Total Cash Disbursements	<u>795,582</u>	<u>797,763</u>	<u>720,911</u>	<u>76,852</u>
Excess of Receipts Over (Under) Disbursements			17,856	17,856
<b>Other Financing Sources (Uses)</b>				
Advances In			75,000	75,000
Advances Out			(75,000)	(75,000)
Total Other Financing Sources (Uses)				
Changes in Fund Balance			17,856	17,856
Fund Balance Beginning of Year	52,092	52,092	52,092	
Prior Year Encumbrances Appropriated				
<b>Fund Balance End of Year</b>	<u>\$52,092</u>	<u>\$52,092</u>	<u>\$69,948</u>	<u>\$17,856</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**1. DESCRIPTION OF THE ENTITY**

The Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert, and Paulding Counties, (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is directed by an eighteen-member Board. Board members are appointed by The Ohio Department of Mental Health, The Ohio Department of Alcohol and Drug Addiction Services, and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Mercer, Van Wert, and Paulding Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable for an organization if the Board appoints a voting majority of the organizations' government board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access to organizations' resources; or (3) the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Board is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the Board has no component units.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

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

**Fund Financial Statements** - During the year, the Board segregates transactions related to certain Board functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental financial statements is on major funds.

**B. Fund Accounting**

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

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

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

**C. Basis of Accounting**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**D. Cash**

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

**E. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board members. The legal level of control has been established by the Board at the fund/object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Board. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**I. Interfund Activity**

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

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Net Assets**

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

**M. Fund Balance Reserves**

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

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is that outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The adjustments necessary to reconcile the cash and budgetary basis statements are as follows:

	<b>General</b>	<b>Mental Health State Fund</b>	<b>Mental Health Federal Fund</b>	<b>Alcohol and Drug Federal Fund</b>
Cash Basis	\$911,436	\$90,477	\$81,242	\$69,948
Encumbrances Outstanding	(51,437)	(5,783)	(12,816)	
Budget Basis	<u>\$859,999</u>	<u>\$84,694</u>	<u>\$68,426</u>	<u>\$69,948</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**4. EQUITY IN POOLED CASH**

The Mercer County Auditor acts as the fiscal agent for the Board and the County Treasurer maintains a cash and investment pool used by all County funds. Because of the nature of the pool all County funds are commingled, the risk involved and the preferential claim of the Board cannot be determined.

The Mercer County Auditor's records indicated the Board's cash balance as of June 30, 2007, was \$1,203,103.

**5. PROPERTY TAX**

Property taxes are levied and assessed on a calendar year basis, while the Board's fiscal year runs from July through June. First-half tax distributions are received by the Board in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the counties. Real property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Board prior to June 30.

The Board receives property taxes from the Mercer, Van Wert and Paulding Counties. The County Auditors periodically advance to the Board its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**5. PROPERTY TAXES – (Continued)**

The assessed values upon which fiscal year 2007 taxes were collected are:

<b>Second Half Collections</b>	<b>2007</b>		
	<b>Mercer</b>	<b>Van Wert</b>	<b>Paulding</b>
Real Property			
Residential/Agriculture	\$625,877,160	\$344,630,340	\$220,118,050
Commercial/Industrial/Mineral	89,445,020	53,173,990	30,688,240
Tangible Personal Property	79,098,023	48,065,553	45,922,896
Total Assessed Value	<u>\$794,420,203</u>	<u>\$445,869,883</u>	<u>\$296,729,186</u>

<b>First Half Collections</b>	<b>2006</b>		
	<b>Mercer</b>	<b>Van Wert</b>	<b>Paulding</b>
Real Property			
Residential/Agriculture	\$618,421,610	\$344,630,340	\$216,057,740
Commercial/Industrial/Mineral	88,607,190	53,173,990	33,685,140
Public Utilities	23,058,020	21,159,500	197,280
Tangible Personal Property	68,911,931	26,906,053	48,778,539
Total Assessed Value	<u>\$798,998,751</u>	<u>\$445,869,883</u>	<u>\$298,718,699</u>

**6. DEFINED BENEFIT PENSION PLAN**

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.

For July 1, 2006 to December 31, 2006, the members participated in the traditional plan, and were required to contribute 9 percent of their annual covered salaries and the Board's contribution rate for pension benefits was 13.70 percent. For January 1, 2007 to June 30, 2007, the members participated in the traditional plan, and were required to contribute 9.5 percent of their annual covered salaries and the Board's contribution rate for pension benefits was 13.85 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 June 30, 2007, 2006, and 2005 were \$29,843, \$29,011, and \$29,085, respectively; 90 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**7. POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other 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 local government employer contribution rate was 13.70 percent of covered payroll from July 1 to December 31, 2006 and 13.85 percent of covered payroll from January 1 to June 30, 2007. The portion of employer contributions, for all employers, allocated to health care was 4.5 percent for the period July 1 to December 31, 2006 and 5 percent for the period January 1 to June 30, 2007.

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 8 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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) 222-5601 or (800) 222-7377.

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

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for fiscal year 2006 which were used to fund postemployment benefits were \$10,253. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

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

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

**9. LEASE AGREEMENT**

The Board entered into a lease agreement, for a four year term that began June 1, 2005 and expires June 30, 2009, for a building to house the operations of the Board. The lease term beginning June 1, 2005, established the lease rate at \$21,400 for the year to be paid in monthly installments of \$1,783.33; the lease term beginning June 1, 2006, establishes the lease rate at \$21,828 for the year to be paid in monthly installments of \$1,819; the lease term beginning June 1, 2007, establishes the lease rate at \$22,264 for the year to be paid in monthly installments of \$1,855.33; and the lease term beginning June 1, 2008, establishes the lease rate at \$22,710 for the year to be paid in monthly installments of \$,1892.50. The lease agreement is subject to renewal at the lessee's option.

**10. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Project Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Block Grants for Community Mental Health Services Community Block Grant	93.958	SFY07	\$48,923
Children/Adolescent Block Grant	93.958	SFY07	<u>26,365</u>
Total Block Grants for Community Mental Health Services			75,288
Social Services Block Grant	93.667	SFY06	51,910
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	46-TSIG-07-01	12,526
Promoting Safe and Stable Families	93.556	49-CS-07-01	43,141
State Children's Insurance Program	93.767	SFY07	85,043
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			
State Children's Insurance Program	93.767	SFY07	<u>12,012</u>
Total State Children's Insurance Program			97,055
Medical Assistance Program	93.778	SFY07	167,539
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program	93.778	SFY07	<u>1,088,930</u>
Total Medical Assistance Program			<u>1,256,469</u>
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			
Substance Abuse Prevention and Treatment Block Grant Alcohol, Drug and Rehabilitation Block Grant	93.959	SFY07	276,058
Federal Drug Free Community Grant	93.959	54-01507-CMMCO-P-07-0034	12,000
Women's Set Aside Grant	93.959	54-10277-WOMEN-T-07-8970 54-01387-WOMEN-T-07-8996 54-01507-WOMEN-T-07-9932	82,591 81,658 <u>68,728</u>
Total Women's Set Aside Grant			<u>232,977</u>
Total Substance Abuse Prevention and Treatment Block Grant			<u>521,035</u>
Total U.S. Department of Health and Human Services			2,057,424
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			
Drug Free Schools	84.186A	54-01507-DFSCA-P-07-9107	<u>38,181</u>
<b>Total Federal Assistance</b>			<u><u>\$2,095,605</u></u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2007**

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**2. SUB-RECIPIENTS**

The Board obtains grants through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and contracts with sub-recipient agencies for providing services. As described in Note 2, the Board records expenditures of Federal awards to subrecipients when paid in cash.

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

**Ohio Department of Mental Health (ODMH)**

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

Total Board Subsidy expenditures to ODMH provider agencies for fiscal year 2007 were:

Foundations Behavioral Health Services	\$394,101
Paulding County Comprehensive Mental Health Services, Inc.	\$241,601
Westwood Behavioral Health Center	\$457,609

**Ohio Department of Alcohol and Drug Addiction Services (ODADAS)**

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

Total Board Subsidy expenditures to ODADAS provider agencies for fiscal year 2007 were:

Mercer County Alcohol and Drug Abuse Center, Inc.	\$247,181
Paulding County Alcohol and Drug Services, Inc.	\$217,084
Westwood Behavioral Health Center	\$193,509



# 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 Alcohol, Drug Addiction and Mental Health Services Board  
Mercer, Van Wert and Paulding Counties  
1054 South Washington Street, Suite A  
Post Office Box 269  
Van Wert, Ohio 45891

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, (the Board), as of and for the fiscal year ended June 30, 2007, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 8, 2008, wherein, we noted the Board uses a comprehensive basis of accounting other than generally accepted accounting principles. 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.

We noted certain matters that we reported to the Board's management in a separate letter dated February 8, 2008.

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### **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 did note certain noncompliance or other matters that we reported to the Board's management in a separate letter dated February 8, 2008.

We intend this report solely for the information and use of the audit committee, management, Members of the Board, and 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

February 8, 2008



# Mary Taylor, CPA

Auditor of State

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

Tri-County Alcohol, Drug Addiction and Mental Health Services Board  
Mercer, Van Wert and Paulding Counties  
1054 South Washington Street, Suite A  
Post Office Box 269  
Van Wert, Ohio 45891

To the Members of the Board:

### Compliance

We have audited the compliance of Tri-County Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, (the Board), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. 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 each 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 Tri-County Alcohol, Drug Addiction and Mental Health Services Board complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007. In a separate letter to the Board's management dated February 8, 2008, we reported another matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The Board'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 Board'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. Accordingly, we do not express an opinion on the effectiveness of the Board'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 Board's ability to administer a federal program such that there is more than a remote likelihood that the Board'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 Board'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 audit committee, management, Members of 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

February 8, 2008



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

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

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 8, 2008**